



Zhongsheng Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 881)

HK\$4,700,000,000 Zero Coupon Convertible Bonds due 2023

Issue Price: 100.00 per cent.

The HK\$4,700,000,000 aggregate principal amount of zero coupon Convertible Bonds due 2023 (the “Bonds”) will be issued by Zhongsheng Group Holdings Limited (the “Issuer”, the “Company” or “we”). The Bonds constitute direct, unsubordinated, unconditional and, subject to Condition 4 of the Terms and Conditions of the Bonds (the “Terms and Conditions” or the “Conditions”), unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4 of the Terms and Conditions, at all times rank at least equally with all of the Issuer’s other present and future unsecured and unsubordinated obligations.

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after 3 July 2018 until and including 12 May 2023 into fully paid ordinary shares of par value of HK\$0.0001 each in the issued and paid up capital of the Issuer (the “Shares”) at an initial conversion price of HK\$30.0132 per Share (the “Initial Conversion Price”). The Initial Conversion Price is subject to adjustment in the circumstances described under “Terms and Conditions of the Bonds — Conversion”. The closing price of the Shares on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 3 May 2018 was HK\$22.75 per Share.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (the “NDRC Circular”) issued by the National Development and Reform Commission of the PRC (as defined below) or its local counterparts (the “NDRC”) and which came into effect on 14 September 2015, and any implementation rules, reports, certificates or guidelines as issued by the NDRC from time to time, the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 9 March 2018 evidencing such registration which, at the date of this Offering Circular, remains valid and in full force and effect. The Issuer intends to file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date.

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed on 23 May 2023 (the “Maturity Date”) at 114.63 per cent. of their principal amount. The Company may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at their principal amount provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled. At any time the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) redeem the Bonds in whole but not in part if (i) the Company has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations or rulings of any relevant tax jurisdiction, or any change in the general application or official interpretation of or the standing of an official position with respect to, such laws, regulations or rulings, which change or amendment becomes effective or official position is announced, on or after 3 May 2018 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Bondholders have the right to require redemption of their Bonds, all or some only, at their principal amount upon the occurrence of a Change of Control event. In the event the Shares cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 30 consecutive trading days on the Hong Kong Stock Exchange or any alternative stock exchange, Bondholders have the right to require the Company to redeem all or some only of their Bonds at their principal amount. At any time after three years from the Closing Date and prior to the Maturity Date, the Issuer may redeem in whole but not in part, an amount in respect of each Bond, together with unpaid accrued interest, which represents a gross yield of 2.75% per annum for the holders of the Bonds, calculated on a semi-annual basis up to the Maturity Date by an independent investment bank (the “Early Redemption Amount”), if the Closing Price of the Shares for each of any 20 trading days within a period of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption was published, is at least 130% of the applicable Early Redemption Amount divided by the then prevailing Conversion Ratio, and the applicable redemption date does not fall within a Closed Period. See “Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation”.

Application has been submitted to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571 the laws of Hong Kong) (the “SFO”)) (together, “Professional Investors”) only. Application for the listing of the Shares issuable on conversion has been submitted to the Hong Kong Stock Exchange. The Offering Circular is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

The Hong Kong Stock Exchange 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 Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Shares or the Issuer or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy, or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Bonds and the Shares involves certain risks. See “Risk Factors” beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States.

For a description of these and certain further restrictions on offers and sales of the Bonds and the Shares to be issued upon conversion of the Bonds and the distribution of this Offering Circular, see “Subscription and Sale”.

MiFID II product governance/Professional investors and ECPs only target market — For the purposes of Directive EU 2014/65/EU (as amended, “MiFID II”), the target market in respect of the Bonds is expected to be eligible counterparties and professional clients only, each as defined in MiFID II. Any person offering, selling or recommending the Bonds (a “distributor”) should take into consideration such target market; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds and determining appropriate distribution channels.

PRIPs Regulation/Prohibition of sales to EEA retail investors — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIPs Regulation”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

The Bonds will be represented by beneficial interests in a 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 23 May 2018 (the “Issue Date”), with a common depositary for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream, Luxembourg”). 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 Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator and Sole Bookrunner

J.P. Morgan

The date of this Offering Circular is 18 May 2018

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The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries (collectively, the “**Group**”), the Bonds and the Shares, which is material in the context of the issue and offering of the Bonds, (ii) the statements contained in it relating to the Issuer and the Group are in every material particular true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) there are no other facts in relation to the Issuer, the Group, the Bonds or the Shares the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect, (v) all reasonable enquiries have been made by the Issuer to ascertain such fact necessary in order to make the statements in this Offering Circular, in the light of the circumstances under which they were made, not misleading, and (vi) this Offering Circular as at the date hereof does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements herein, in the light of the circumstances under which they were made, not misleading. This document 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 Issuer accepts full responsibility for the accuracy of the information contained in this document 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. This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore, Japan and the Cayman Islands, and to persons connected therewith. For a description of certain further restrictions on offers, sales and re-sales of the Bonds and distribution of this Offering Circular, see “Subscription and Sale”.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Group, the Bonds or the Shares other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Sole Lead Manager, the Trustee or the Agents (in each case as defined herein). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Sole Lead Manager, the Trustee, the Agents or any of their respective affiliates to subscribe for or purchase any of the Bonds or Shares and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Bonds. The Issuer has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Sole Lead Manager, the Trustee, the Agents or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Lead Manager, the Trustee, the Agents or any of their respective affiliates. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Sole Lead Manager, the Trustee, the Agents or any of their respective affiliates that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

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

Each person receiving this Offering Circular acknowledges that such person has not relied on the Sole Lead Manager, the Trustee, the Agents or any person affiliated with the Sole Lead Manager, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision.

This Offering Circular incorporates by reference the audited consolidated financial statements of the Issuer as of and for the years ended 31 December 2015, 2016 and 2017. The consolidated financial statements were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”).

Market data and certain industry forecasts used throughout this Offering Circular have been obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Sole Lead Manager, the Trustee or the Agents makes any representation as to the accuracy of that information.

CERTAIN DEFINED TERMS AND CONVENTIONS

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. When we use the term “the Issuer”, “the Company”, “we”, “us”, “our” and words of similar import, we are referring to Zhongsheng Group Holdings Limited (中升集團控股有限公司) and its consolidated subsidiaries, unless the context indicates otherwise.

In this Offering Circular, references to:

“BVI” are to the British Virgin Islands;

“CAGR” are to compound annual growth rate;

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

“Companies Law” are to the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;

“Director(s)” are to the director(s) of the Company;

“EIT Law” are to the PRC Enterprise Income Tax Law passed by the National People’s Congress of the PRC on 16 March 2007 and took effect on 1 January 2008, as amended, supplemented and otherwise modified from time to time;

“Group” are to the Company and its subsidiaries from time to time;

“HK\$”, “HKD” or “Hong Kong dollar(s)” are to Hong Kong dollars, the lawful currency of Hong Kong;

“HKFRS” are to Hong Kong Financial Reporting Standards, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong;

“Hong Kong” are to The Hong Kong Special Administrative Region of the PRC;

“Hokuryo Holdings” are to Hokuryo Holdings Company Limited (北菱集團有限公司), an investment holding company incorporated in Hong Kong on 11 February 1993, currently an indirect wholly-owned subsidiary of the Company;

“Hong Kong Stock Exchange” are to The Stock Exchange of Hong Kong Limited;

“Listing Rules” are to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange;

“M&A Rules” are to The Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) jointly promulgated by MOFCOM, the China Securities Regulatory Commission, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry and Commerce and SAFE on 8 August 2006, which became effective on 8 September 2006, as amended on 22 June 2009;

“Memorandum and Articles of Association” are to the memorandum and articles of association of the Company (as amended from time to time);

“Ministry of Transport” are to the PRC Ministry of Transport;

“MOFCOM” are to the PRC Ministry of Commerce;

“Offering Circular” are to this offering circular dated 18 May 2018 in relation to the Bonds issue;

“PBOC” are to the People’s Bank of China;

“Regulation S” are to Regulation S under the U.S. Securities Act of 1933, as amended;

“RMB” or “Renminbi” are to the legal currency of China;

“SAFE” are to the PRC State Administration of Foreign Exchange;

“Share(s)” are to ordinary share(s) with par value of HK\$0.0001 each in the share capital of the Company;

“Shareholder(s)” are to holder(s) of the Shares;

“State Council” are to the State Council of the PRC;

“US\$” or “US dollar(s)” are to the legal currency of the United States;

“%” are to per cent.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this Offering Circular in connection with the Group and our business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

- “4S dealership”. means an automobile dealership authorised by an automobile manufacturer to engage in the four businesses relating to sales, spare parts, service and survey.
- “after-sales services” means automobile-related services consisting primarily of repair and maintenance services, detailing services and the sale of spare parts and accessories provided after the sale of a passenger vehicle.
- “automobile manufacturer” means the manufacturer of one or more brands of passenger vehicles and other types of automobiles, including the foreign manufacturer of imported vehicles or its affiliates in China, the Sino-foreign joint-venture manufacturer of locally manufactured vehicles, or the PRC manufacturer of Chinese brand vehicles.
- “ERP system” means an enterprise resource planning system that integrates, processes and manages management information across the business units of a company.
- “passenger vehicle” means an automobile designed and used primarily for the carriage of passengers other than for commercial purposes.

FORWARD-LOOKING STATEMENTS

The Issuer has included forward-looking statements in this Offering Circular regarding, among other things, the Group's financial condition, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although the Issuer believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- general economic, political conditions and regulatory developments including those related to the automobile industry and the PRC;
- the business strategy and plan of operation;
- fluctuations in foreign currency exchange rates; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

The words "anticipate", "believe", "estimate", "expect", "intend", "plan", "target" and similar expressions are intended to identify a number of these forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Group's actual results could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as of the date of this Offering Circular. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

In this Offering Circular, where information has been presented in thousands or millions 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.

INCORPORATION BY REFERENCE

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

- (a) the Group's audited annual consolidated financial statements as at and for the financial years ended 31 December 2015, 2016 and 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”); and
- (b) the auditor's reports in respect of such financial statements, which have been audited by Ernst & Young, Certified Public Accountants in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

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

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

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

SUMMARY

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

Overview

We are one of the leading national automobile dealership groups in China focusing on luxury and mid-to-high end brands. Our 4S dealerships are concentrated in cities with relatively high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern inland regions of China. We have grown rapidly from 178 operating 4S dealerships located across nearly 70 cities and 16 provinces at the beginning of 2014 to 286 4S dealerships in operation in nearly 90 cities and 24 provincial regions in the PRC at the end of 2017.

We have dealership agreements with a variety of automobile manufacturers to operate our 4S dealerships for a diversified portfolio of automobile brands, including luxury brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar, Land Rover, Porsche and Volvo, and mid-to-high end automobile brands such as Toyota, Nissan and Honda. Each of our 4S dealerships is designated to sell one brand of automobile and typically only permitted to operate at a single point of sale.

Through our “one-stop automobile shop” business model, we offer a comprehensive range of new automobiles, after-sales products and services as well as a wide array of services in connection with second hand automobiles, insurance and finance in our 4S dealerships to our customers. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services. Each of the new automobile sales business and after-sales businesses has its own features in terms of business model and revenue and profitability contributions to the Group.

Our revenue for the three years ended 31 December 2015, 2016 and 2017 was RMB59,142.6 million, RMB71,599.2 million, and RMB86,290.3 million, respectively, representing a CAGR of approximately 20.8% during such periods. Revenue generated from the sales of new automobiles accounted for approximately 87.7%, 87.2% and 86.6% of our total revenue for the three years ended 31 December 2015, 2016 and 2017. The gross profit margin of our sales of new automobiles was 2.6%, 3.3% and 4.0%; and the gross profit margin of our after-sales businesses was 45.5%, 48.8% and 48.9% during the same periods, respectively. Revenue generated from our new automobile sales business accounted for approximately 87.7%, 87.2% and 86.6% and the revenue generated from our after-sales businesses accounted for approximately 12.3%, 12.8% and 13.4% of our revenue during the same periods. Our profit attributable to owners of the parent for the three years ended 31 December 2015, 2016 and 2017 was RMB461.0 million, RMB1,860.2 million and RMB3,350.4 million, respectively, representing a CAGR of approximately 169.6% during such periods.

Our Competitive Strengths

We believe that our success and our ability to capitalise on future growth opportunities are attributable to our competitive strengths described below:

- We are one of the leading national automobile dealership groups in China, with a strong presence of 4S dealerships in cities with relatively high net worth populations in multiple regions;
- We have a diversified portfolio of luxury and mid-to-high end automobile brands;
- We have established strong and long-term working relationships with leading automobile manufacturers;
- Our customer-focused philosophy and store-level operational expertise have resulted in our highly-ranked 4S dealerships with consistent quality service and satisfactory customer experience;
- Our large scale operations allow us to achieve economies of scale;
- We have efficient information technology systems to support our business;
- We are able to grow rapidly both organically and through acquisitions; and
- We have an experienced senior management team, a deep bench of high-calibre store managers, and access to reliable source of skilled technical personnel.

Our Strategies

We aim to strengthen our market position as a leading luxury and mid-to-high end automobile dealership group in China and to capture the opportunities in the world's largest and fast-growing automobile market by pursuing the following strategies:

- Increasing the size of our 4S dealership network and market coverage through both organic growth and acquisitions;
- Further increasing productivity and profitability as well as promoting customer service quality of each of our 4S dealerships;
- Utilizing our existing resources and customer base in new automobile sales to promote our after-sales businesses, including retailing spare parts, providing repair, maintenance and detailing services, and retailing automobile accessories;
- Expanding our business operations by developing our used automobile sales business to complement our existing businesses;

- Leveraging on our extensive industry experience and network to develop value-added services; and
- Enlarging our employee talent pool to support our continued growth.

SUMMARY OF THE OFFERING

The following summary does not purport to be complete and should be read in conjunction with Conditions. It does not contain all the information that is important to investors. For a more complete description of the Bonds, please refer to “Terms and Conditions of the Bonds”. Terms used in this summary and not otherwise defined shall have the meanings given to them in the “Terms and Conditions of the Bonds”.

Issuer Zhongsheng Group Holdings Limited 中升集團控股有限公司 (the “Company”).

Issue HK\$4,700,000,000 in aggregate principal amount of Zero Coupon convertible bonds due 2023.

Issue Price 100.00 per cent. of the principal amount of the Bonds.

**Sole Global Coordinator
and Sole Bookrunner** J.P. Morgan Securities plc.

Issue Date 23 May 2018.

Maturity Date 23 May 2023.

Form and Denomination The Bonds will be issued in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof.

Negative Pledge So long as any Bond remains outstanding (as defined in the Trust Deed), the Company shall not, and the Company shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

Conversion Period On or after the 41st day after Closing Date up to the close of business on the 10th day prior to the Maturity Date, unless previously redeemed, converted, or repurchased and cancelled (excluding Closed Periods).

The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price then in effect.

Conversion Price The initial Conversion Price is HK\$30.0132 per Share, and subject to adjustment in the manner provided in Condition 6(E) as described in the “*Terms and Conditions of the Bonds*”.

Final Redemption Unless previously redeemed, converted or purchased and cancelled in the circumstances referred to in the Terms and Conditions, the Company will redeem each Bond at 114.63% of its principal amount on the Maturity Date.

Redemption for Taxation

Reasons At any time the Issuer may, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) redeem the Bonds in whole but not in part if (i) the Company has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations or rulings of any relevant tax jurisdiction, or any change in the general application or official interpretation of or the standing of an official position with respect to, such laws, regulations or rulings, which change or amendment becomes effective, or official position is announced, on or after 3 May 2018 and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, **provided that** no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Redemption at the Option

of the Company

On giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee in accordance with Condition 16 (which notice will be irrevocable), the Company may (A) at any time after 23 May 2021 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount, *provided that* (i) the Closing Price of the Shares for each of any 20 Trading Days within a period of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the applicable Early Redemption Amount for each Bond divided by the then prevailing Conversion Ratio and (ii) the applicable redemption date does not fall within a Closed Period; or (B) at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount *provided that* prior to the date of such notice at least 90 per cent. of the principal amount of the Bonds originally issued (including any further bonds issued pursuant to Condition 15 and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

Redemption for Change of

Control.

Bondholders have the right to require redemption of their Bonds, all or some only, at their principal amount upon the occurrence of a Change of Control event.

**Redemption for Delisting
or Suspension of Trading**

In the event the Shares cease to be listed or admitted to trading or suspended for trading for a period equal to or exceeding 30 consecutive trading days on the Hong Kong Stock Exchange or any alternative stock exchange, Bondholders have the right to require the Company to redeem all or some only of their Bonds at their principal amount.

**Redemption at the Option
of the Bondholders**

On 23 May 2021 (the “**Put Option Date**”), the holder of each Bond will have the right, at such holder’s option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Put Option Date at 108.54 per cent. of their principal amount and any interest accrued (if any).

Events of Default

For a description of certain events of default that will permit the Bonds to become immediately due and repayable at their principal amount, see “*Terms and Conditions of the Bonds — Events of Default*”.

Clearing Systems	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on or about 23 May 2018 with a common depository for, Euroclear Bank SA/NV (“ 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 in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Governing Law	English law.
Trustee	The Bank of New York Mellon, London Branch.
Principal Agent	The Bank of New York Mellon, London Branch.
Registrar and Transfer Agent	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Listing	<p>Application has been submitted to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only. The Bonds will be traded and settled in Hong Kong Dollars only.</p> <p>Application has been submitted to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares to be issued on conversion of the Bonds (the “New Shares”).</p>
Use of Proceeds	See section entitled “ <i>Use of Proceeds</i> ”.
Selling Restrictions	There are certain restrictions on the offer, sale and transfer of the Bonds and the Shares to be issued upon conversion of the Bonds in certain jurisdictions including the United States and Hong Kong. For a description of the restrictions on the distribution of this Offering Circular or any offering material and the issue, sale or delivery of the Bonds and the New Shares, see “ <i>Selling Restrictions</i> ”.
ISIN	XS1819550663.
Common Code	181955066.

SUMMARY FINANCIAL INFORMATION

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

The summary consolidated financial information as at and for the years ended 31 December 2015, 2016 and 2017 set forth below is extracted from the Group's consolidated financial statements for the years ended 31 December 2016 and 2017 (incorporated by reference into this Offering Circular) and should be read in conjunction with such published audited consolidated financial information and the notes thereto. The consolidated financial statements of the Group for the years ended 31 December 2015, 2016 and 2017 were audited by the Company's auditor, Ernst & Young, certified public accountants, Hong Kong.

The Group's consolidated financial statements were prepared and presented in accordance with HKFRS.

Summary of Financial Results

Consolidated Statement of Profit or Loss

	Year ended 31 December		
	2015	2016	2017
		(RMB'000)	
Revenue	59,142,607	71,599,221	86,290,288
Cost of sales and services provided	<u>(54,473,414)</u>	<u>(65,046,942)</u>	<u>(77,606,286)</u>
Gross profit	4,669,193	6,552,279	8,684,002
Other income and gains, net	1,104,143	1,325,514	1,842,863
Selling and distribution expenses	(2,609,155)	(2,806,807)	(3,294,302)
Administrative expenses	<u>(1,154,254)</u>	<u>(1,178,687)</u>	<u>(1,347,069)</u>
Profit from operations	2,009,927	3,892,299	5,885,494
Finance costs	(1,295,697)	(1,018,020)	(1,076,712)
Share of profits and losses of:			
Joint ventures	<u>1,408</u>	<u>4,148</u>	<u>4,595</u>
Profit before tax	715,638	2,878,427	4,813,337
Income tax expense	<u>(234,329)</u>	<u>(836,689)</u>	<u>(1,337,523)</u>
Profit for the year	<u>481,309</u>	<u>2,041,738</u>	<u>3,475,854</u>
Attributable to:			
Owners of the parent	460,964	1,860,228	3,350,413
Non-controlling interests	<u>20,345</u>	<u>181,510</u>	<u>125,441</u>
	<u>481,309</u>	<u>2,041,738</u>	<u>3,475,854</u>

	Year ended 31 December		
	2015	2016	2017
	(RMB'000)		
Earnings per share attributable to ordinary equity holders of the parent			
Basic			
— For profit for the year (RMB)	<u>RMB0.21</u>	<u>RMB0.87</u>	<u>RMB1.52</u>
Diluted			
— For profit for the year (RMB)	<u>RMB0.21</u>	<u>RMB0.85</u>	<u>RMB1.48</u>

Consolidated Statement of Financial Position

	As at 31 December		
	2015	2016	2017
	(RMB'000)		
NON-CURRENT ASSETS			
Property, plant and equipment	8,092,754	8,810,138	10,055,748
Investment properties	47,086	—	—
Land use rights	2,520,331	1,953,734	2,495,923
Prepayments	883,468	999,506	984,591
Intangible assets	2,953,635	3,306,307	5,737,441
Goodwill	2,622,410	2,732,547	3,940,056
Investments in joint ventures	43,871	48,019	42,614
Deferred tax assets	<u>357,649</u>	<u>307,243</u>	<u>278,923</u>
Total non-current assets	<u>17,521,204</u>	<u>18,157,494</u>	<u>23,535,296</u>
CURRENT ASSETS			
Inventories	6,289,279	6,529,742	7,509,806
Trade receivables	936,326	1,149,141	1,082,746
Prepayments, deposits and other receivables	7,982,139	8,062,394	8,644,378
Amounts due from related parties	1,185	952	555
Available-for-sale investments	23,880	25,850	19,100
Pledged bank deposits	1,295,865	1,241,999	1,405,646
Cash in transit	210,920	320,223	356,063
Cash and cash equivalents	<u>4,464,517</u>	<u>4,157,264</u>	<u>5,027,202</u>
Total current assets	<u>21,204,111</u>	<u>21,487,565</u>	<u>24,045,496</u>
CURRENT LIABILITIES			
Bank loans and other borrowings	13,734,023	13,382,299	16,828,479
Short term bonds	414,977	—	—
Bonds payable, current portion	622,646	—	—
Convertible bonds, current portion	13,537	2,753,130	1,883,958
Trade and bills payables	3,494,918	4,057,369	3,470,593
Other payables and accruals	1,652,959	2,011,732	2,935,400
Other liabilities	—	245,000	245,000
Amounts due to related parties	4,493	820	577
Income tax payable	714,068	1,133,583	1,373,395
Dividends payable	<u>1,479</u>	<u>9</u>	<u>9</u>
Total current liabilities	<u>20,653,100</u>	<u>23,583,942</u>	<u>26,737,411</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>551,011</u>	<u>(2,096,377)</u>	<u>(2,691,915)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
	<u><u>18,072,215</u></u>	<u><u>16,061,117</u></u>	<u><u>20,843,381</u></u>

	As at 31 December		
	2015	2016	2017
	(RMB'000)		
NON-CURRENT LIABILITIES			
Deferred tax liabilities	979,805	1,068,885	1,679,590
Convertible bonds	2,488,664	—	—
Bank loans and other borrowings	<u>1,987,751</u>	<u>1,893,273</u>	<u>2,494,628</u>
Total non-current liabilities	<u>5,456,220</u>	<u>2,962,158</u>	<u>4,174,218</u>
NET ASSETS	<u>12,615,995</u>	<u>13,098,959</u>	<u>16,669,163</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	186	186	197
Reserves	<u>11,268,325</u>	<u>12,218,142</u>	<u>15,912,794</u>
	11,268,511	12,218,328	15,912,991
Non-controlling interests	<u>1,347,484</u>	<u>880,631</u>	<u>756,172</u>
TOTAL EQUITY	<u>12,615,995</u>	<u>13,098,959</u>	<u>16,669,163</u>

RISK FACTORS

Any investment in the Bonds is subject to a number of risks. Prior to investing in the Bonds, prospective investors should carefully consider risk factors associated with any investment in the Bonds, our business and the industries in which we operate together with all other information contained in this Offering Circular, including, in particular the risk factors described below. Words and expressions defined in the “Terms and Conditions of the Bonds” or elsewhere in this Offering Circular have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Bonds and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Company or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Company and, if any such risk should occur, the price of the Bonds may decline and investors could lose all or a part of their investment. Investors should consider carefully whether an investment in the Bonds is suitable for them in light of the information in this Offering Circular and their personal circumstances.

Risks relating to our business

The success of our business significantly depends on the automobile manufacturers in several aspects

As our new automobile sales business accounts for a substantial portion of our revenue, we depend significantly on the automobile manufacturers in several aspects. Automobile manufacturers may act in a manner or be subject to events that in turn could cause us to incur costs, expenses or experience delivery delays. As a result, our business, results of operations, financial condition and growth prospects could be materially and adversely affected by such actions or events. We depend on the automobile manufacturers for, among other things:

Supply of high-quality and popular new automobiles and spare parts

Our new automobile sales are influenced by the automobile manufacturers’ abilities to anticipate changes in consumer tastes, preferences and requirements, including those driven by cultural or environmental changes, and to manufacture and deliver to us in sufficient quantities and on a timely basis, a desirable, high-quality and price competitive mix of new automobiles and spare parts to sell to our customers.

In addition, the automobile manufacturers’ ability to supply high-quality and popular new automobiles and spare parts may be affected by a variety of factors, including economic downturns or recessions, force majeure events such as earthquakes and tsunamis, increases in interest rates, and/or poor product mix or unappealing design, resulting in a change in demand for their automobiles and/or spare parts. The automobile manufacturers may also alter their annual output due to reasons mentioned above, thus altering the supply of automobiles to all their 4S dealerships, including us. The automobile manufacturers may also fail to supply us with the automobiles we expect to receive under our allocated sales quota. If the automobile manufacturers are materially affected and their abilities to design, market or manufacture new automobiles or spare parts are impacted, or if the automobile

manufacturers decide unilaterally to alter the supply of automobiles to us, our business operation will be disrupted and our results of operations, financial condition and growth prospects may be materially and adversely affected.

Product defects and automobile recalls

Automobile manufacturers may be adversely affected by product defects and automobile recalls. During the three years ended 31 December 2015, 2016 and 2017, automobile manufacturers conducted automobile recalls for a number of their automobile models that we sold. Such recalls have not caused any material adverse impact on our business, our operational and financial performance as at the date of this Offering Circular. However, we cannot assure you that such recalls will not materially and adversely affect our revenue and results of operations in the future. Please refer to the section entitled “Business — Our ‘One-stop Automobile Shop’ Business Model — After-sales businesses — Automobile recalls” in this Offering Circular for details of the automobile recalls conducted by the automobile manufacturers during the three years ended 31 December 2015, 2016 and 2017.

We cannot assure you that there will not be future automobile recalls affecting the automobile manufacturers or the models we sell, or that the automobile manufacturers will conduct future automobile recalls in the same manner as in the past, in particular, a number of recalls for the automobile brands we sell, including Mercedes-Benz, Lexus, Toyota and Honda, have been conducted recently. Our customers’ confidence in the quality and safety of the automobiles may be impaired due to the recalls, and any product defects or automobile recalls may have an adverse effect on the automobile manufacturers’ and the Group’s reputation. As a result, the recalls may lead to cancellation of orders placed by our customers and a drop in demand for our automobiles, which in turn may materially and adversely affect our results of operations, financial condition, and growth prospects going forward.

Advertising, marketing and promotional activities of the automobile manufacturers

Our new automobile sales business is strongly influenced by the promotional and marketing activities of the automobile manufacturers designed to spur consumer demand for automobiles. The automobile manufacturers periodically offer discounts, complimentary products or services, and/or extended product warranties.

The automobile manufacturers assist us with our advertising, marketing and promotional activities and the production of flyers, brochures and other promotional and point-of-sale materials, as well as other items for our 4S dealerships. In addition, we rely on the automobile manufacturers for the training of our sales personnel and automotive engineers and technicians to a certain extent. The repair and maintenance services we provide our customers under automobile warranties are part of the automobile manufacturers’ marketing plans and the costs for such services are billed to the relevant automobile manufacturer instead of the customer.

As a result, changes in these promotional and marketing activities by the automobile manufacturers may materially and adversely affect our results of operations, financial condition and growth prospects.

After-sales services

As a principal constituent of our after-sales services business, in-warranty repair services are charged to the automobile manufacturers instead of customers. As a result, a reduction in the term or coverage of such warranties may reduce the demand for our after-sales services from customers. We also rely on automobile manufacturers to provide our store managers, customer service and sales personnel and technicians with training to familiarise them with the features of, and repair and maintenance procedures for, their vehicle models. We cannot assure you that we will be able to maintain the continued support from automobile manufacturers for our after-sales services, or that any such failure will not have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We rely on our dealership agreements with the automobile manufacturers for the rights to operate our 4S dealerships and for our supply of new automobiles and spare parts

We rely on the automobile manufacturers for the rights to operate our 4S dealerships and for the supply of new automobiles and spare parts. Sales of new automobiles account for a substantial portion of our revenue. For the three years ended 31 December 2015, 2016 and 2017, revenue from new automobile sales accounted for 87.7%, 87.2% and 86.6% of the Group's revenue, respectively. Our rights to operate our 4S dealerships and the supply of new automobiles and spare parts are governed by the dealership agreements we entered into with the automobile manufacturers.

All of our dealership agreements are non-exclusive, must generally be renewed periodically and typically have a term which expires at the end of the next year after the execution of these agreements. The automobile manufacturers have the right to terminate our dealership agreements with prior written notice for a variety of reasons, including failure to rectify performance deficiencies and changes in ownership or management structure that affect our ability to meet our contractual obligations without their prior consent. Please see the section entitled "Business — Our 4S Dealerships" in this Offering Circular for more information on our dealership agreements.

There can be no assurance that we will be able to renew our dealership agreements on a timely basis, on commercially acceptable terms, or at all, or that our dealership agreements will not be terminated by the automobile manufacturers for various reasons, including changing their business strategies or taking direct control of the distribution of their automobiles in the PRC.

There can be no assurance that the automobile manufacturers will not make any decision to restrict, limit or reduce the number of 4S dealerships available to us as part of any change in their future strategies. Should the automobile manufacturers decide to restrict, limit or reduce the number of 4S dealerships they allow us to operate, or fail to renew or terminate our dealership agreements, our results of operations, financial condition and growth prospects may be materially and adversely affected.

Our business operations are subject to restrictions imposed by, and significant influence from, the automobile manufacturers

The automobile manufacturers may subject our business operations to various restrictions including:

- setting geographical limitation on our business, restricting our ability to establish or acquire new 4S dealerships;
- precluding us from obtaining additional dealership rights for failing to meet the relevant automobile manufacturer's performance criteria including criteria relating to sales results, customer satisfaction ratings and store presentation at our 4S dealerships;
- setting price guidelines for the retail sale of their new automobiles or certain spare parts;
- restricting our ability to provide guarantees or other forms of security, thus adversely impacting our ability to obtain financing for our business;
- restricting our ability to operate dealerships or sell vehicles of competing brands; and
- influencing the management of our 4S dealerships.

The restrictions imposed by, and significant influence from, the automobile manufacturers on our business could materially and adversely affect our results of operations, financial condition and growth prospects.

There can be no assurance that we will continue to receive rebates from the automobile manufacturers

Our purchase arrangements with the automobile manufacturers often include volume-based rebates, which are decided with reference to the units of new automobiles purchased, and are adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices, and dealership presentation standards. There can be no assurance that the automobile manufacturers will continue to grant us rebates, or that they will pay any rebate under existing purchase arrangements. Should some or all of the automobile manufacturers cease to offer such rebates, or alter the conditions by which such rebates are granted, our financial condition and results of operations may be materially and adversely affected.

We are dependent on third parties for the supplies of automobile accessories

We are dependent on independent suppliers for the automobile accessories we sell. The success of our after-sales businesses is dependent on these suppliers' abilities to anticipate changes in consumer tastes, preferences and requirements and deliver to us in sufficient quantities and on a timely basis a desirable, high-quality and price competitive mix of automobile accessories to sell to our customers. If our suppliers' products fail to meet our customers' expectations or if we are unable to stock a sufficient range of products, or if our suppliers increase their prices due to increasing demand for their products from other dealerships, our profit margins of these products may be affected, which in turn could materially and adversely affect our results of operations and financial condition.

Our ability to meet consumer demands for new automobiles, spare parts and automobile accessories, is dependent in part on our ability to maintain a reasonable level of inventory of these products

We aim to stock a reasonable level of inventory of new automobiles, spare parts and automobile accessories, to respond to customer demand effectively and maintain a diverse range of products at our 4S dealerships. We aim to actively control our inventory turnover efficiency, as slow-moving inventories may be more difficult to sell, be returned to suppliers and/or result in higher levels of write-offs, thereby increasing our overall cost of sales and reducing our profit margins. If we overstock inventory, our required working capital may increase and we may incur additional financing costs. If we understock inventory, our ability to meet our customers' demands may be affected, which may in turn affect our reputation, cause us to forgo revenue, and materially and adversely affect our results of operations and financial condition.

Our sales may be affected by seasonality

All of our revenue is derived from our operations in the PRC. We believe that there is a seasonal pattern in the spending behaviour of PRC consumers. Periods prior to major holidays in the PRC, such as the Chinese New Year and the National Day holiday in October, have typically coincided with higher revenue recorded for our new automobile sales business. As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance.

The Founders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of the date of this Offering Circular, approximately 57.70% of our outstanding shares are beneficially owned by Mr. Huang Yi and Mr. Li Guoqiang (the “**Founders**”). Subject to compliance with applicable laws, by maintaining such ownership, the Founders are able to exercise substantial influence over our corporate policies, appoint our Directors and officers and vote on corporate actions requiring shareholders' approval. In addition, the Founders are also Executive Directors of the Company and are able to exercise substantial control over our business. In particular, the strategic goals and interests of the Founders may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Bonds.

We are dependent on our management team, and our business may be severely disrupted if we lose their services

We believe that our success is largely dependent upon the continued service of the members of our management team, who are critical to establishing our corporate strategies and focus, and ensuring our continued growth. In particular, the Founders, Mr. Huang Yi and Mr. Li Guoqiang, both with over 28 years' experience and expertise in the PRC automobile industry, are crucial to our success.

Our continued success will depend on our ability to attract and retain a qualified and competent management team in order to manage our existing operations and support our expansion plans. We do not maintain keyman insurance for members of our management team. Although we have entered into employment agreements and non-competition agreements with certain members of our management team, the loss of the services of any member of our management team and/or the failure to recruit suitable or comparable replacements on a timely basis could have a significant impact on our ability to manage our business effectively and may reduce our competitiveness, and in turn materially and adversely affect our results of operations, financial condition and growth prospects. We cannot assure you that we will be able to retain our management team or attract and/or integrate suitable or comparable replacements on a timely basis or at all to meet our needs.

We are dependent on the continued service of, and our ability to attract, train, motivate and retain, our store management, sales personnel and automotive engineers and technicians

We are dependent on the continued service of, and our ability to attract, train, motivate and retain, our store management, sales personnel and automotive engineers and technicians for the performance and continued success of our business. Due to the strong growth of the PRC economy and the PRC automobile industry, the competition for such personnel is intense. There can be no assurance that we will be able to attract, train, motivate and retain the necessary personnel to grow and develop our business, continue to deliver high-quality sales or customer service, or open new 4S dealerships. Our financial condition, management and results of operations may be materially and adversely affected if we fail to attract and retain the experienced personnel we need.

We may not be able to obtain adequate financing on acceptable terms

Our businesses require significant capital expenditure. In addition to purchasing automobiles, spare parts, automobile accessories, and other automobile-related products, we also require capital to establish and acquire new 4S dealerships, refurbish and maintain existing 4S dealerships and upgrade our information technology and billing systems.

Our capital expenditures for the three years ended 31 December 2015, 2016 and 2017 were RMB1,834.5 million, RMB2,599.3 million and RMB5,305.3 million, respectively.

Our business also requires adequate financing for our increasing level of inventory and prepayments for new automobiles that we purchase from the automobile manufacturers. We expect our financing costs to increase as our inventory level and prepayments for new automobiles increase due to the continuing expansion of our businesses.

There can be no assurance that the cash flow generated by our operations will be sufficient to fund our future operations and expansion plans. We have generally relied on cash generated from our operations as well as bank loans to fund our operations and expansion. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as other factors beyond our control including the global and PRC economies, interest rates, applicable laws, rules and regulations, and the conditions of the PRC automobile market, the PRC automobile dealership industry and the geographical regions we operate in. If we are unable to obtain financing in a timely manner, at a reasonable cost or on reasonable terms, the implementation of our expansion plans may be delayed and our competitive position and growth prospects may be adversely affected.

We rely on computer equipment and software systems to manage our operations

We are dependent on an integrated information management system to manage, supervise and improve ordering, inventory and logistics management and financial and cash management, minimize the costs of maintaining inventory and to improve our overall sales performance. We intend to keep upgrading our existing information technology systems across our distribution network to operate a uniform platform which complements the expansion of our business. We manage our quotas and inventory levels through our enterprise resource planning system, or ERP, and we cannot assure you that, any future upgrades to our ERP system will not cause disruptions to our business and operations. If our computer equipment or software systems fail, our businesses and operations may be disrupted. Although we believe that our disaster recovery plan and data back-up systems are designed to handle system failures, there can be no assurance that we will be able to implement our disaster recovery plan on a timely basis or at all, or that our data back-up systems will not also be subject to failures. Any failure in our computer equipment and/or software systems could have a material adverse effect on our business, financial condition and results of operations. Our growth may also be restricted by the capacity of our computer equipment and/or software systems to meet the increased needs of larger scale operations.

Implementing our growth strategy may expose us to certain risks and we may not sustain our growth rate

The Group's operations have grown rapidly from 178 operating 4S dealerships at the beginning of 2014 to 286 operating 4S dealerships at the end of 2017, and our revenue has grown accordingly. Our growth strategy involves expanding our 4S dealership network, further extending our industry chain and seeking new profit growth points.

There are significant risks involved in our expansion plan, including whether we will be able to: (a) access adequate financial resources; (b) timely determine the magnitude of our expansion; (c) hire, train and maintain sufficient qualified staff; (d) negotiate the terms of new leases, concessions or land use rights successfully for properties in desired locations; (e) obtain appropriate licenses, permits and approvals from relevant PRC governmental authorities on a timely basis; and (f) enter into dealership agreements after a memorandum of cooperation is entered into between our operating entity and the automobile manufacturers for a specific 4S dealership.

In addition, various factors beyond our control may significantly influence the results of our growth strategy, including general economic conditions in China, particularly in the automobile market and the automobile dealership industry and the specific geographical areas we operate in. Business or operational strategies and policies adopted by the automobile manufacturers, other suppliers and competitors may also significantly influence the results of our growth strategy.

Our growth strategy includes establishing new 4S dealerships. There can be no assurance that we will be able to identify and secure suitable locations, or that we will be able to enter into new 4S dealership arrangements with the automobile manufacturers on a timely basis or at all for such new 4S dealerships. The new 4S dealerships may result in additional indebtedness, costs and contingent liabilities and may fail to generate sufficient revenue for us to recover such debt, costs or liabilities. We also intend to grow by, among other strategies, acquiring existing 4S dealerships from third

parties and improving their performance. There can be no assurance that we will be able to identify and secure suitable acquisition opportunities, or that we will be able to improve the performance of such acquired 4S dealerships on a timely basis.

The terms of the Bonds give us the flexibility to expand into new businesses ancillary or complementary to our automobile sales business. When entering into new business areas, we will be subject to risks related to any such new businesses, will have limited experience in operating such new businesses and may lack necessary expertise, which may have an adverse effect on our operations, financial performance, credit rating and ability to service our obligations under the Bonds.

We experienced significant growth from 2015 to 2017, with our revenue increasing at a CAGR of 20.8% from RMB59,142.6 million in 2015 to RMB86,290.3 million in 2017. There can be no assurance that we will be able to sustain our revenue growth or profit margins at historical levels or that we will be able to manage our growth successfully. You should not rely on our operating results for any prior annual period as indicators of our future operating performance. Should any or all of the risks in relation to our expansion plan eventuate, our results of operations, financial position, and growth prospects could be materially or adversely affected.

We may not be successful in identifying or acquiring suitable acquisition targets or integrating newly acquired businesses into our network

We intend to expand our operations and markets through both organic growth and strategic acquisitions. We compete with other dealership groups, some of which may have more financial and other resources, and we may not be able to compete successfully with such groups in acquiring suitable targets. If we do not succeed in identifying and acquiring suitable acquisition targets, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The complex procedures for some acquisitions of PRC companies by foreign investors, established by the M&A Rules, could make it more difficult for us to pursue growth through acquisitions in China. The M&A Rules establish additional procedures and requirements that could make certain acquisitions of PRC companies by foreign entities, such as ours, more time-consuming and complex, particularly in some instances where the approval of MOFCOM is required for transactions involving the shares of an offshore listed company being used as the acquisition consideration by foreign entities. Complying with the requirements of the M&A Rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. Furthermore, integration of the newly acquired businesses may not succeed for a number of reasons, such as differences in strategic focus, geographic coverage and corporate culture between us and the acquired businesses and difficulties in retaining the key employees of acquired businesses. Any delays or difficulties encountered in connection with the integration of management or operations could result in the diversion of management's attention from our existing operations and the delay or deferral by our management of important strategic decisions, which could negatively affect our business, prospects, cash flows, financial condition and results of operations. In addition, we cannot assure you that we will fully realise any of the anticipated benefits, or any anticipated benefit at all, from our strategic acquisitions.

We may not be able to grow our used automobile business

The growth of our used automobile business depends on various factors, such as our ability to attract used automobile buyers to our stores and sellers and buyers of used automobiles to our used automobile market, the degree of acceptance of used automobiles by our potential customers, and the relevant PRC laws and regulations governing the used automobile business. Many of these factors are beyond our control and, therefore, we may not be able to maintain or grow our used automobile business. Under the PRC laws, we may, when selling a used automobile, be required to provide the quality guaranty as well as the after-service. Any sales of defective used automobiles may harm our reputation and materially and adversely affect our business, financial condition and results of operations.

We may not be able to grow our automobile financial leasing business

Our automobile financial leasing business could be negatively impacted by uncertainties in the PRC automobile financial leasing business, which is at its preliminary stage and may experience unexpected downturns. Our financial leasing business is still at its early stage. The growth of our automobile financial leasing business, as well as demand for our automobile financial leasing services, depends on various factors, some of which are beyond our control, including the general economic conditions in the PRC, popularity and perceptions of automobile financial leasing among our customers, and the relevant PRC laws and regulations governing the automobile financial leasing business.

Our gross profit margin and profitability may be affected by the mix of products sold and services delivered

Our principal businesses consist of sales of new automobiles and after-sales services. From 2015 to 2017, we recorded higher gross profit margins for after-sales services than for sales of new automobiles. In 2015, 2016 and 2017, our gross profit margins for after-sales services were 45.5%, 48.8% and 48.9%, respectively, as compared to our gross profit margins for sales of new automobiles of 2.6%, 3.3% and 4.0%, respectively, in the same period. We may not be able to grow our after-sales services at the rate equal to, or higher than, our new automobile sales business. Therefore, our gross profit margin and profitability may vary significantly from period to period as a result of changes in the mix of products sold and services rendered during the relevant period.

Our business depends on the market recognition of our brand and any failure to effectively maintain or enhance our brand recognition or to protect our brand may materially and adversely affect our business and results of operations

We believe that establishing strong brand recognition is important to our success. We have successfully established our Zhongsheng brand and were granted the “2016 Most Influential Brand in China’s Automobile Dealer Industry”. If we fail to maintain brand recognition among our target customers due to a deterioration in service quality, dealership management or otherwise, or if any premium in value attributed to our business compared to that of our competitors declines, market perception and consumer acceptance of our brands may erode. In such event, we may not be able to effectively compete for customers and new authorisations from automobile manufacturers to open stores and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We may not be able to use certain properties leased by us because of defects affecting our leasehold interests

We have leased certain properties in China to operate our stores, part of which were subject to certain defects. For instance, certain of the leased properties are built on collectively owned land or state-owned allocated land, and certain lessors had not obtained the relevant building ownership certificates. Any dispute or claim in relation to the rights to lease and use the properties occupied by us, including any litigation involving allegations of illegal or unauthorised use of these properties, may require us to relocate our business operations. If any of our leases were terminated as a result of any challenge by third parties or any failure of our lessors to renew the leases or obtain their legal title or the requisite government approval or consent to lease the relevant properties, we may need to seek alternative premises and incur additional costs for relocation. Any such relocation could disrupt our operations and adversely affect our business, financial condition, results of operations and growth prospects. In addition, there can be no assurance that the PRC Government will not amend or revise existing property laws or regulations to require additional approvals, licenses or permits, or impose stricter requirements to obtain or maintain the title certificates required for the properties occupied by us.

Our insurance coverage may be inadequate to protect us from all potential losses

We carry all risks insurance covering loss and damage to our properties, including our fixed assets and inventories in all of our 4S dealerships, as well as auto repair liability insurance, public liability insurance, cash insurance and group life accident insurance. However, we do not carry liability insurance that extends coverage to all potential liabilities that may arise in the ordinary course of our business, nor do we maintain any insurance coverage for business interruption due to the limited availability of business interruption insurance in China. Significant uninsured damage to any of our properties, inventories or other assets, whether as a result of earthquakes or other causes, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly affect our operations

Our business could be materially and adversely affected by natural disasters or epidemics outbreaks. If any disaster or outbreak of disease were to occur in the future, particularly in regions where we have dealerships, our operations could be materially and adversely affected due to loss of personnel, damage to property or decreased demand for automobiles.

Any outbreak of avian influenza, severe acute respiratory syndrome (“SARS”), influenza A (H1N1), Ebola or other adverse public health developments, could adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China. In 2014, the outbreak of Ebola fever in West Africa received considerable worldwide media attention. Experts warn that China is at serious risk of Ebola because of the large numbers of travellers from Africa as well as poor hospital standards. As our sales are currently derived from our China operations, any contraction or slowdown in the economic growth of China could adversely affect our business, financial condition, results of operations and growth prospects. In addition, if any of our employees is infected or affected by any severe communicable disease, it could adversely affect or disrupt our operations, as we may be required to close some or all of our stores or other business

locations to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect our customers and suppliers. We have not adopted any written preventive measures or contingency plans to combat any future natural disasters or outbreaks of avian flu, H1N1 flu, SARS, Ebola virus or any other epidemic. Natural disasters, outbreaks of contagious diseases and other adverse public health developments in China could severely disrupt our business operations and adversely affect our financial condition, results of operation and growth prospects.

In March 2011, an earthquake measuring 9.0 on the Richter Scale hit Tohoku in northern Honshu, Japan, which triggered a tsunami along the Pacific coast of Japan, causing tens of thousands of casualties and severe damage to roads, buildings and infrastructure. Moreover, certain nuclear reactors in the Fukushima nuclear power plant in northeastern Japan were severely damaged, resulting in radiation leaks. Certain automobile manufacturers and a number of our parts suppliers were adversely affected. As a result, Japanese automobile manufacturers have in the past experienced shortages of parts critical to vehicle production, which in turn limited the supply of new automobiles. We cannot assure you that we will not suffer from the impact of natural disasters such as earthquakes and tsunamis should they occur in the future, and any of the above events or developments may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We may not be able to continue to receive government grants from local governments

We received government grants in each year from 2015 to 2017 from local governments in recognition of our contribution to economic development. For each of the years ended 31 December 2015, 2016 and 2017, we received government grants of RMB9.76 million, RMB9.03 million and RMB10.06 million, respectively. The amount of the government grants was determined at the local governments' discretion. We cannot assure you that we will be able to continue to receive any such government grants from the local governments at the same level as in the past, or at all. Any decision of the local governments to terminate or reduce the amount of our government grants may adversely affect our results of operations and financial condition.

Labour disputes involving automobile manufacturers and suppliers could reduce our revenue and harm our profitability

Labour disputes involving automobile manufacturers and suppliers could result in a shortage of new automobiles or an interruption in the delivery of new automobiles to our stores. In the past, there had been no material labour disputes. In addition, significant increases in labour costs as a result of negotiations to resolve labour disputes could also result in downward pressure on our margins, as automobile manufacturers and suppliers may seek to pass on some of their increased costs to us, which could reduce our revenue and profitability.

We face risks associated with our joint ventures

Some of our existing stores are carried out through joint ventures. In addition, during our business expansions, we may form additional joint ventures in the future. Such existing or future joint venture arrangements involve a number of risks, including:

- disputes with joint venture partners in connection with the performance of each party's obligations under the joint venture agreements;

- disputes as to the scope of each party's responsibilities under these agreements;
- financial difficulties encountered by a joint venture partner affecting its ability to perform its obligations under the joint venture agreements with us; and
- conflicts between the policies or objectives adopted by the joint venture partners and those adopted by us.

Any of these risks and other factors may lead to disputes with our joint venture partners and cause disruptions in the operations of the joint ventures and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Risks Relating to Our Industry

Our performance and growth prospects may be adversely affected by the increasingly competitive nature of the PRC automobile industry

Our business operations are located in the PRC, where market practice allows the automobile manufacturers to grant non-exclusive dealership rights in the same geographical area. As a result, our results of operations may be affected not only by competition among the automobile manufacturers in terms of quality, delivery time and price, but also by competition from other dealerships or dealership groups in the same region selling the same brands and models of automobiles as the Group.

We expect that the competition we face will increase as the number of dealerships increases. In addition, more automobile manufacturers may engage in the distribution sector in the future and build up their own 4S store network. An increased number of the automobile manufacturers and dealers in the PRC automobile industry could impact our market share and result in a decrease in revenue and profit in new automobiles sales, repair maintenance and detailing services and automobile accessories sales, and our growth prospects may be adversely affected.

Strict fuel economy standards and emission standards and high fuel prices could restrict the supply of and/or reduce the demand for automobiles, spare parts and automobile accessories in the PRC

The implementation and enforcement of strict fuel economy standards and emission standards for automobiles are likely to increase the cost of manufacturing, research and development and distribution for all the automobile manufacturers and may have a negative impact on the supply of automobiles. Automobile manufacturers may also raise their price guidelines for their automobiles, and consumer demand for automobiles (particularly more expensive automobiles such as the mid-to-high end and luxury brand automobiles retailed by the Group), spare parts, and automobile accessories may decline as a result.

The PRC Government currently subsidises the retail price of petrol and diesel and may adjust the domestic fuel price as a result of, among other factors, changes in global crude oil prices. The PRC Government has adjusted the retail petrol price several times in 2016. Fluctuations in fuel prices have led to changes in the level of fuel demand in China. Disparities in the cost and availability of fuel among different regions in China have made fuel cost in China even less predictable. If demand for fuel increases in China, fuel shortage or price increases may occur. Because of increased or unpredictable costs or shortages of fuel, consumers may shift to use alternative means of transport, such as bicycles, buses and subways, or purchase more fuel-efficient automobiles.

There can be no assurance that the PRC Government will not implement stricter fuel economy standards or emission standards or further increase fuel prices. Our automobile sales may decline as a result and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Government policies may restrict the supply of and/or reduce the demand for automobiles, spare parts and automobile accessories in the PRC

Government policies on automobile consumption and ownership may materially affect our business because of their influence on consumer behaviour. The PRC Government increased automobile consumption tax rates in 2006, 2008 and 2016 and there can be no assurance that the PRC Government will not impose additional restrictions or taxes on automobile consumption in the future. If the PRC Government increases automobile consumption tax rates or imposes additional restrictions or taxes, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

Automobile sales may be affected by quotas or other measures imposed by local governments to control the number of automobiles in the cities where our networks are located. Changes in local economic conditions, the competitive environment and governmental policies could materially and adversely affect our business, financial condition, results of operations and growth prospects. For example, with a goal to curb traffic jams and pollution, Shanghai has been restricting the issuance of new license plates since 1994. Individuals and companies have to bid in an auction, which is generally held by the municipal government once a month, for a license plate in order to register a new vehicle and the total number of license plates to be issued is announced to the public each month immediately before the auction. Similarly, effective on 23 December 2010, the Beijing municipal government issued a number of measures to limit the number of new license plates it issues each year, with a view to curb traffic congestion in Beijing. According to the 13th Five-Year Plan of the Transportation Development and Construction of Beijing, the total number of automobiles in Beijing is restricted to six million by the end of 2017 and 6.3 million by the end of 2018. As a result, overall new automobile sales in the Beijing market have since decreased significantly. At the same time, the Shenzhen municipal government imposed restrictions on new car purchases at the end of 2014, according to which only 100,000 new license plates will be allocated annually for the city. These and any future government policies to control the number of automobiles in the markets where we operate may restrict the ability of potential customers to purchase automobiles and hence reduce customer demand for automobiles. There can be no assurance that the PRC government will not impose additional registration restriction rules in other cities on the PRC automobile industry. We may not be able to pass on increased costs to consumers, or may face a decline in sales as a result of lower demand or higher prices, and there may be a material and adverse effect on our revenue, profits, and growth prospects.

Any failure to comply with applicable laws, rules and regulations governing the automobile dealership industry may adversely affect our business

We operate in a highly regulated industry. We are required to maintain various approvals, licenses and permits for our operations that are specific to the automobile dealership industry. There can be no assurance that the PRC government will not amend or revise existing laws, rules or regulations to require additional approvals, licenses or permits, or to impose stricter requirements to obtain or maintain the approvals, licenses or permits required for our business operations. Any loss of

or failure to obtain or renew our approvals, licenses, or permits could disrupt our operations and any fines or other penalties imposed by the PRC government could materially and adversely affect our results of operations, financial position and reputation. Please see the section entitled “Regulations” in this Offering Circular for more details.

Our business is dependent on the economic conditions of the PRC and the market conditions where we operate. If we experienced an economic downturn, it could adversely affect our business, liquidity, financial conditions, results of operations and prospects

Our business is dependent on the economic conditions of the PRC and the market conditions where we operate. Demand for our automobiles and other products may decrease if we experience a downturn, which would adversely affect cash flow generated from our operations. In addition, some of the automobile manufacturers may also be adversely affected with declines in profits and production output. Furthermore, the availability of credit to entities, such as ourselves, operating within emerging markets, could be significantly influenced by levels of investor confidence in such markets as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets. Any challenging market conditions could result in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. Any prolonged economic downturn or prolonged disruptions to the credit markets could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our results of operations, financial condition and prospects may be materially and adversely affected.

A prolonged global economic downturn could adversely affect the PRC economy and our business, financial condition and results of operations

Economic developments outside the PRC, in particular, the global financial crisis which commenced in the second half of 2008, have caused substantial volatility in the capital markets. Since the second half of 2008, the global credit markets have remained volatile, which has impacted employment, household wealth and consumer demand. The global economic downturn has had, or may have, a significant adverse impact on, among other things, the prospects for growth in GDP and international trade, the demand for luxury products, the availability and cost of credit and consumer sentiment. Persistent concerns regarding a potentially long-term and widespread recession, geopolitical issues, the availability and cost of credit and the decline in consumer spending in major economies have resulted in diminished expectations for economic growth around the world. The PRC economy relies significantly on its exports and any significant economic downturn, in particular a prolonged recession in Europe, the United States or other major economies, could have a material adverse effect on the PRC economy. We derive all of our revenue from China. Any slowdown in the PRC economy may adversely affect demand for our automobiles and after-sales services and could result in:

- a significant reduction in customer demand for our automobiles and after-sales services, which would reduce our revenue and profit margins;
- a significant reduction in the availability of automobile financing, which would also reduce customer demand for automobiles;

- increased price competition for automobiles and after-sales services, particularly the price competition of luxury automobiles;
- risk of excess and obsolete inventory;
- difficulty in accurately forecasting the demand for automobiles and after-sales services;
- insolvency or credit difficulties of our customers or their insurance carriers, which could limit their ability to pay for our after-sales services; and
- insolvency or credit difficulties of our automobile manufacturers and suppliers, which could disrupt the supply of automobiles or spare parts. In addition, a substantial amount of our luxury automobiles are imported from, or manufactured by the joint ventures of manufacturers based in, the member states of European Union, particularly Germany. Any credit crisis in Europe or cessation of the Euro being used as the main currency in the European Union (including Germany) may cause significant fluctuations in the prices for automobiles, spare parts and accessories imported from Germany. As a result, this may increase our cost of sales and services and negatively affect the demand for these products.

Any of the foregoing developments could materially and adversely affect our business, financial conditions, results or operations and growth prospects.

Risks Relating to Conducting Business in China

Our business operations and future growth rely on GDP and consumption growth in the PRC market and may be adversely affected by changes in economic, political and social conditions globally and in China

All of our revenue during the three years ended 31 December 2015, 2016 and 2017 were derived from our operations in China. We anticipate that China will remain our primary market in the foreseeable future. One of our strategies is to expand our operations in China. Should there be any adverse change in GDP and/or consumer spending growth in China, our results of operations, financial condition and growth prospects may be materially and adversely affected.

In the past 20 years, China has been one of the world's fastest growing economies in terms of GDP. However, historically, the PRC Government has taken measures to attempt to constrain economic growth to a manageable level, especially with respect to the rate of growth in industrial production, bank credit, fixed investment and monetary supply. In addition, the PRC economy has been growing at a decreasing rate in recent years. The growth rate of the PRC's GDP during 2015, 2016 and 2017 were 6.9%, 6.7% and 6.9%, respectively, according to the National Bureau of Statistics of China. Furthermore, a slowdown in the economies of the United States, the European Union and certain Asian countries may significantly and adversely affect economic growth in China.

Since early 2008, concerns over inflation or deflation, energy costs, geopolitical issues, the availability and cost of credit, have contributed to unprecedented levels of market volatility and diminished expectations for the global economy and the markets in the future. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown and a possible prolonged recession on a global basis. These events have led the Chinese economy to experience a slowdown. We cannot predict

the extent to which changing global economic conditions will affect GDP and consumer spending in China. In addition, consumer spending can be affected by factors such as changes in economic and financial conditions, social and political stability in China and other factors which are beyond our control. Changes in any of these conditions or any changes in PRC laws regulations or other policies in reaction to the changing economic conditions could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Political and economic policies of the PRC Government may affect our business and results of operations and may result in our inability to sustain our growth

The PRC economy differs from the economies of most developed countries in a number of respects, including the degree of government involvement, control of capital investment, and the overall level of economic development. Before its adoption of reform and open door policies in 1978, China was primarily a planned economy. In recent years the PRC Government has been reforming the PRC economic system and government structure. These reforms have resulted in significant economic growth and social progress. Economic reform measures, however, may be adjusted, modified or applied inconsistently across different industries or regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in the PRC political, economic and social conditions or laws, regulations and policies will have any adverse impact on our current or future business, financial condition, results of operations and growth prospects.

Government control of currency conversion and future movements in foreign exchange rates may negatively affect our financial condition, results of operations and our ability to remit dividends

The Renminbi cannot be freely converted into any other foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot assure you that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy other foreign exchange requirements. If we are unable to obtain the relevant approvals, our capital expenditure plans and, consequently, our ability to grow our business, could be adversely affected. Moreover, changes in PRC foreign exchange regulations may materially and adversely affect our ability to transfer funds to, and receive dividends from, our PRC subsidiaries.

The exchange rates of Renminbi against foreign currencies are affected by, among other things, changes in the PRC's political and economic conditions. Any appreciation in the US dollar, Euro, Japanese Yen or other foreign currencies against Renminbi may cause automobile manufacturers to raise their prices, which would increase our purchase costs for automobiles and spare parts, which could in turn increase our automobile retail prices and adversely affect our sales and profits. To the extent that we need to convert the US dollars that we will receive from this offering into Renminbi for our operations, appreciation of Renminbi against the US dollar would reduce the Renminbi amount

we would receive from the conversion. Conversely, if we decide to convert our Renminbi into US dollars for the purpose of making payments for interest on our Bonds or for other business purposes, appreciation of the US dollar against Renminbi would reduce the US dollar amount available to us.

Under the EIT Law, we may be classified as a “resident enterprise” of China. Such classification could result in unfavourable tax consequences to us and our non-PRC shareholders and bondholders

The Enterprise Income Tax Law (the “EIT Law”) was revised on 24 February 2017 by the Standing Committee of the National People’s Congress and the implementation regulations to the EIT Law issued by the PRC State Council became effective on 1 January 2008. Under the EIT Law, an enterprise lawfully incorporated pursuant to the laws of a foreign country (region) with “de facto management bodies” within China is considered a “resident enterprise” and will generally be subject to a uniform 25% Enterprise Income Tax (the “EIT”) on their worldwide income. The implementation regulations of the EIT Law define “de facto management” as material and overall management control over the business, personnel, accounts and properties” of the enterprise. Substantially all of our management is currently based in China and is expected to remain in China. Therefore, we may be treated as a PRC resident enterprise for EIT purposes and thus be subject to enterprise income tax at a rate of 25% on our worldwide income. However, investment gains derived by a resident enterprise through direct investment in another PRC resident enterprise can be exempted. The tax consequences to us in the case that we are treated as a PRC resident enterprise are not entirely clear, as they will depend on the implementation regulations and how local tax authorities apply or enforce the EIT Law and the implementation regulations.

Furthermore, if we are treated as a PRC “resident enterprise”, interest we pay on the Bonds and dividends we may pay on our Shares to non-PRC bondholders or shareholders, as well as any capital gains realised by such bondholders or shareholders on the sale of Bonds or our Shares, including the Shares converted from our Bonds, may be treated as PRC-source income. Accordingly, we may be required to withhold PRC income tax from interest or dividends paid to non-PRC resident bondholders or shareholders, and transfers of Bonds or Shares, including the Shares converted from our Bonds, by such bondholders or shareholders may be subject to PRC income tax. Such tax on the income of non-resident enterprise bondholders or shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-resident individual bondholders or shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on interest or dividends paid to our non-resident bondholders or shareholders, or if you are required to pay PRC income tax on the transfer of the Bonds or Shares, including the Shares converted from our Bonds, the value of your investment in the Bonds or Shares may be materially and adversely affected.

There can be no assurance that the PRC Government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements, higher tax rates or apply the EIT Law, or any subsequent changes in PRC tax laws, rules or regulations retroactively. As there may be different applications of the EIT Law and any amendments or revisions, comparisons between our past financial results may not be meaningful and should not be relied upon as an indicator of our future performance. If such changes occur and/or if such changes are applied retroactively, such changes could materially and adversely affect our results of operations and financial condition.

We may be able to redeem the Bonds, as a whole but not in part, upon certain changes in the tax laws with respect thereto

As described above, we may be required to withhold PRC taxes from payments on the Bonds if we are treated as a PRC tax resident enterprise. As described, and subject to the limitations set forth in “Terms and Conditions of the Notes — Redemption for Taxation Reasons,” in the event that we are required to pay Additional Tax Amounts due to certain changes in tax law, including as a result of any change in, or amendment to, the laws, regulations or rulings (including a holding by a court of competent jurisdiction) of the PRC, or the stating of an official position with respect to such laws, regulations or rulings, we may be able to redeem the Bonds, as a whole but not in part, at a redemption price equal to their principal amount.

PRC regulation of loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds we receive from this offering to make loans or additional capital contributions to our PRC subsidiaries

Any capital contributions or loans that we, as an offshore entity, make to our PRC subsidiaries that are foreign-invested enterprises, including the proceeds of the offering, are subject to PRC regulations. Foreign-invested enterprises in the PRC must apply for foreign loan registration certificates from SAFE or local SAFE departments in order to obtain shareholder loans from foreign investors. The aggregate amount of these foreign loans must not exceed the level prescribed by SAFE. The recipient of a foreign loan must submit the foreign loan registration certificate to open and maintain a special foreign exchange account with the PBOC or another SAFE-approved bank, and may then repay the foreign loan with its own foreign exchange funds or by purchasing foreign exchange with Renminbi. There can be no assurance that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to capitalise the relevant PRC subsidiaries or fund our operations or utilise the proceeds of the offering in the manner described in the section entitled “Use of Proceeds” may be negatively affected, which could materially and adversely affect the liquidity of our relevant PRC subsidiaries or our business, financial condition, results of operations and growth prospects.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our shareholders

Our business and operations in China are governed by the PRC legal system, which is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Moreover, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in the PRC.

Since the late 1970s, the PRC Government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal

developments in China, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our shareholders.

Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention.

Our operations in China are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions.

Our ability to pay dividends and utilise cash resources in our subsidiaries depends on our subsidiaries' earnings and distributions

We are a holding company. Our revenue is generated from our business operations conducted through our subsidiaries. Our ability to make dividend payments and other distributions in cash, pay expenses, service indebtedness incurred and finance the needs of other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. As at the date of this Offering Circular certain of the financing agreements and other agreements entered into by the Company's subsidiaries contain restrictions on making payments to the Company. These restrictions could reduce the amount of dividends or other distributions that we receive from our subsidiaries, which could in turn restrict our ability to fund our business operations and to pay dividends to our Shareholders and interest to our Bondholders. The Company's future declaration of dividends may not reflect our historical declarations of dividends and will be at the absolute discretion of our Board.

Furthermore, applicable PRC laws and regulations permit payment of dividends by our PRC subsidiaries only out of their retained earnings, if any, determined in accordance with PRC accounting standards. Our PRC subsidiaries are required to set aside a certain percentage of their after-tax profit based on PRC accounting standards each year to their respective reserve funds in accordance with the requirements of relevant PRC laws and regulations as well as provisions in their respective articles of associations. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net income to us either in the form of dividends, loans or advances. Any limitation on the ability of our PRC subsidiaries to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or interest or otherwise fund and conduct our business.

Distributions by our PRC subsidiaries to us in forms other than dividends may be subject to government approval and taxes. Any transfer of funds from us to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration with or approval from the relevant PRC governmental authorities. In addition, our PRC subsidiaries are not permitted to lend funds directly to each other under PRC law. These limitations on the flow of funds between and amongst us and our PRC subsidiaries could restrict our ability to respond to changing market conditions or appropriately allocate funds to our PRC subsidiaries in a timely manner, or at all.

Failure by our shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident shareholders to liability under PRC law

The Circular Concerning Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicles and Investing Back in China by Domestic Residents (the “**SAFE Circular**”) revised by SAFE on 4 July 2014 requires PRC residents with overseas special purpose vehicles (which refer to offshore entities set up or controlled by PRC residents with the aim of financing), to file a Registration Form of Overseas Investments Contributed by Domestic Individual Residents and register with SAFE, and to update SAFE’s records in the event of any major change in capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions.

Due to the uncertainty concerning the reconciliation of the notices with other approval requirements, it remains unclear how the SAFE Circular and any future legislation concerning offshore or cross-border transactions will be interpreted, amended and implemented by the relevant PRC governmental authorities. Any failure by our PRC Shareholders to register with SAFE or update SAFE’s records may result in the prohibition of distributions or contributions from capital reductions, share transfers or liquidations of our PRC subsidiaries and may affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to our Shareholders.

All employee participants in our share incentive plans who are PRC citizens might be required to register with the SAFE, and we might also face regulatory uncertainties that could restrict our ability to adopt option plans for our Directors and employees under PRC law

The Implementation Rules of the Administrative Measures for Individual Foreign Exchange revised by SAFE on 29 May 2016, requires PRC individuals who are granted shares or share options pursuant to an employee share option or share incentive plan by an overseas-listed company, to apply for approvals from SAFE or a local SAFE department. In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (the “**Share Option Rules**”), which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Share Ownership Plans or Share Option Plans of Overseas Publicly-Listed Companies issued by SAFE in March 2007. Under these rules, PRC residents who participate in a share incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain procedures as required by the authorities. Participants of a share incentive plan who are PRC residents shall retain a qualified PRC agent, which shall be one domestic company participating in a share incentive program or another

domestic entity that may handle the business of assets custody and selected by the domestic company according to law to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to handle the registration of change with the local SAFE department with respect to the share incentive plan if there is any material change to the share incentive plan, change in the PRC agent or the overseas entrusted institution or any other material changes.

We and our PRC resident employees participating in our share option scheme, and employee pre-IPO incentive scheme (although not a share option plan in nature), might be subject to the Share Option Rules. Failure to comply with the Share Option Rules and other relevant rules might subject us or such PRC resident employees to fines and other legal or administrative sanctions and impose restrictions on the execution of our share option scheme and employee pre-IPO incentive scheme, which could negatively affect our business operations.

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

Almost all of our assets and our subsidiaries are located in China. In addition, most of our Directors and senior management reside within China, and the assets of our Directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of our Directors and senior management, including for matters arising under applicable securities laws. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States and many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments from various jurisdictions is uncertain.

The political relationships between China and other countries may affect the performance of our operations

We sell automobiles, spare parts and accessories supplied by a number of automobile manufacturers and suppliers. A significant number of the automobile manufacturers and suppliers are foreign entities with headquarters in Germany, the United States, the United Kingdom or Japan, or are joint ventures incorporated in the PRC by such foreign entities. Accordingly, the PRC's political relationships with other countries, particularly those related to or associated with automobile manufacturers or suppliers, may affect both supply and demand for the relevant automobile manufacturer's or supplier's products. There can be no assurance that PRC consumers will not alter their brand perception or preferences as a result of adverse changes to the state of political relationships between the PRC and other relevant countries. Moreover, on March 22, 2018, the President of the United States issued a memorandum directing: (i) the Secretary of the Treasury of the United States to propose restrictions regarding Chinese investment in "industries or technologies deemed important to the United States"; (ii) the U.S. Trade Representative (or "USTR") to propose

products including, among other things, motors products for inclusion in a new round of tariffs targeting the PRC; and (iii) the USTR to pursue dispute settlement in the World Trade Organization to address the PRC's "discriminatory licensing practices". In response to the U.S. tariffs, the PRC government also announced a list of retaliatory tariffs imposing a 25% tariff on a wide range of U.S. exports including automobile. Although it remains unclear to what extent the trade war between the United States and the PRC will affect the global economy and in particular, the PRC economy and the PRC automobile industry, these events have resulted in fluctuations in the global debt and equity markets due to fears of a trade war. The uncertainty before, during and after the period of such trade war, if any, may create a negative economic impact and increase volatility in global markets, which may result in adverse changes to PRC consumer sentiments and cause a decline in our sales and revenue and materially and adversely affect our business, financial condition, results of operations and growth prospects.

Risks Relating to the Bonds and the Shares

The Bonds may not be a suitable investment for all investors

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

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

A potential investor should not invest in Bonds which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply

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

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 (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Holder will have no rights as holder of the Shares prior to conversion of the Bonds but are subject to changes made with respect to the Shares

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. However, such Bondholders are subject to all changes affecting the Shares. For example, in the event that an amendment is proposed to the Company's articles of association (the "**Articles**") requiring shareholder approval, and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to the date of conversion of the Bonds for such Shares and (as applicable) the date of registration by the relevant Bondholder as the holder thereof, that Bondholder would not be entitled to vote on the amendment but would nevertheless be subject to any resulting changes in the powers, preferences or special rights that affect the Shares after conversion.

The Company will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to companies in certain other countries

The Company will be subject to reporting obligations in respect of the Bonds to be listed on the Hong Kong Stock Exchange. The disclosure standards imposed by the Hong Kong Stock Exchange 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 what investors in the Bonds are accustomed to.

Bondholders may be subject to tax

Prospective investors of the Bonds are advised to consult their own tax advisors concerning the overall tax consequences of the purchase, ownership, disposition or conversion of the Bonds or the Shares. See "Taxation" for a discussion of tax consequences in certain jurisdictions.

Conversion of the Bonds would dilute the ownership interest of existing shareholders and could also adversely affect the market price of the Shares

The conversion of some or all of the Bonds will dilute the ownership interests of existing shareholders of the Company. Any sales in the public market of the Shares issuable upon such conversion could adversely affect prevailing market prices for the Shares. In addition, the existence of the Bonds may facilitate short selling of the Shares by market participants.

The Company may not have the ability to redeem the Bonds

Bondholders may require the Company, subject to certain conditions, to redeem for cash all or some of their Bonds upon an event constituting a change of control or delisting or otherwise as described under the heading “Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Delisting, Suspension of Trading or Change of Control”. The Company may not have sufficient funds or other financial resources to make the required redemption in cash at such time or the ability to arrange necessary financing on acceptable terms, or at all. The Company’s ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms or other indebtedness held by the Company.

The Bonds may be redeemed at the option of the Company, which may adversely affect the trading price and liquidity of the Bonds and may subject Bondholders to reinvestment risks

Subject to certain conditions, the Bonds may be redeemed at the Company’s option prior to the Maturity Date at of their outstanding principal amount. See “Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption at the Option of the Company”. As a result, the trading price of the Bonds may be affected when this option of the Company becomes exercisable. Accordingly, Bondholders may not be able to sell their Bonds at an attractive price, thereby having a material adverse effect on the trading price and liquidity of the Bonds. In addition, the proceeds from the redemption of the Bonds may be reinvested by the Bondholders and the Bondholders may thereby be subject to additional risks associated to such reinvestment.

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

No assurances are made by the Company as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any subdivision or authority therein or thereof having power to tax.

Although pursuant to the Terms and Conditions of the Bonds, the Company is required to gross up payments in respect of the Bonds on account of any such withholding taxes or deductions, the Company also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any subdivision or authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of

Hong Kong or the Cayman Islands or any subdivision or authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 May 2018.

The Company's subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Company and its subsidiaries

As a holding company, the Company depends on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, including its PRC subsidiaries, to pay dividends to the Company's shareholders and to satisfy its obligations, including its obligations under the Bonds. The ability of the Company's subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of these subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of the Company's subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to the Company to make payments due on the Bonds or pay dividends to its shareholders. These restrictions could reduce the amounts that the Company receives from its subsidiaries, which would restrict the Company's ability to meet its payment obligations under the Bonds.

As a result of the foregoing, there is no assurance that the Company will have sufficient cash flow from dividends or payments on intercompany loans or advances from its subsidiaries to satisfy its obligations under the Bonds.

The insolvency laws of the Cayman Islands and other local insolvency laws may differ from those of other jurisdictions with which the holders of the Bonds are familiar

Because the Company is incorporated under the laws of the Cayman Islands, any insolvency proceeding relating to the Company may involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Company conduct substantially all of its business operations through PRC-incorporated subsidiaries in the PRC. The Company's PRC subsidiaries are subject to the bankruptcy and insolvency laws of the PRC. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of other jurisdictions with which the holders of the Bonds are familiar. Investors should analyse the risks and uncertainties carefully before investing in the Company's Bonds.

If the Company is unable to comply with the restrictions and covenants in its debt agreements, there could be a default under the terms of these agreements, which could cause repayment of its debt to be accelerated

If the Company is unable to comply with the restrictions and covenants in its current or future debt 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 Company, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, the Company's default under one debt

agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under its other debt agreements. If any of these events occur, there is no assurance that the Company's assets and cash flow would be sufficient to repay in full all of its indebtedness, or that the Company would be able to find alternative financing. Even if the Company could obtain alternative financing, there is no assurance that it would be on terms that are favourable or acceptable to the Company.

An active trading market for the Bonds may not develop, and there are restrictions on resale of the Bonds

The Bonds are a new issue of securities for which there is currently no trading market. Although application for the listing of the Bonds has been submitted to the Hong Kong Stock Exchange, there is no assurance that the Company will be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's business, and the trading prices of similar securities. The Sole Lead Manager is not obliged to make a market for the Bonds. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have an adverse effect on the market value of Bonds.

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

- prevailing interest rates and the market for similar securities;
- general economic, market and political conditions;
- the Company's financial condition, financial performance and future prospects;
- the publication of earnings estimates or other research reports and speculation in the press;
- investment community in relation to the Company; and
- changes in the industry and competition affecting the Company.

Securities laws restrictions on the resale and conversion of the Bonds and the resale of the Shares issuable upon their conversion may impact investors' ability to sell the Bonds

The Company has not registered the Bonds or the Shares issuable upon conversion of the Bonds under the Securities Act or other securities laws. Unless and until the Bonds and the Shares issuable upon conversion of the Bonds are registered, they may not be offered or sold or resold except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. The Bonds and the Shares issuable upon conversion of the Bonds thereof will not be freely tradable absent registration or an exemption from registration.

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

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

Holders will bear the risk of fluctuations in the price of the Shares

The market price of the Bonds at any time will be affected by fluctuations in the price of the Shares. The Shares are currently listed on the Hong Kong Stock Exchange. There can be no certainty as to the effect, if any, that future issues or sales of the Shares, or the availability of such Shares for future issue or sale, will have on the market price of the Shares prevailing from time to time and therefore on the price of the Bonds.

Sales of substantial numbers of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and the Bonds. The Company's results of operations, financial condition, future prospects and business strategy could affect the value of the Shares. The trading price of the Shares will be influenced by the Company's operational results and other factors, such as changes in the regulatory environment that may affect the markets in which the Company operates and capital markets in general. Corporate events such as share sales, reorganisations, takeovers or share buy-backs may also adversely affect the value of the Shares. Any decline in the price of the Shares would adversely affect the market price of the Bonds.

The short-term nature of the Bonds may place increased pressure on the Issuer's cash flow and funding needs

The Bonds have a maturity date of less than one year. The Issuer's ability to repay the Bonds and to meet their other debt service obligations depends on (a) their future operating and financial performance and ability to generate cash in the short term, which are affected by general economic, financial, competitive and other factors beyond their control, and/or (b) their ability to obtain further financing in order to repay the Bonds. Dedicating a substantial portion of the Issuer's cash flow from operations to making payments on their debt, including the Bonds, within a short period would limit the availability of funds for working capital, business opportunities and other general corporate purposes, increase the Issuer's vulnerability to adverse general economic or industry conditions, limit their flexibility in planning for, or reacting to, changes in their business and the industry in which they operate, and potentially increase their cost of borrowing. If the Issuer cannot generate sufficient cash to meet their debt service obligations or fund their other business needs, they may, among other things, need to refinance all or a portion of their debt, including the Bonds, obtain additional financing or sell assets. In addition, the availability of external financing with which to repay their debt financing, including the Bonds, is subject to numerous factors, including general political, economic and capital market conditions (both internationally and within the PRC), interest rates, credit availability from banks and other major lenders and investor confidence in the Issuer and their

business, some of which may be outside their control. In addition, the Issuer may need to source alternative forms of financing in order to repay the Bonds, which could expose them to higher external financing costs and/or increased levels of foreign currency and other risks.

The issuance of the Bonds may result in downward pressure on the market price of the Shares

Many investors in convertible bonds seek to hedge their exposure in the underlying equity securities, often through short selling the underlying equity securities or similar transactions. Any short selling or similar hedging activity could place significant downward pressure on the market price of the Shares, thereby having a material adverse effect on the market value of the Shares as well as on the trading price of the Bonds.

Holders have limited anti-dilution protection

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

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

In certain circumstances, including without limitation the giving of notice to the Company pursuant to Condition 10 of the Conditions and/or the taking of enforcement proceedings pursuant to Condition 12 of the Conditions, the Trustee may request Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of Bondholders. The Trustee shall not be obliged to take any such actions if it is not first indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding 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 and/or security and/or pre-funding to it, in breach of the terms of the Trust Deed and/or 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 or regulations, it will be for the Bondholders to take such actions directly.

The Bonds are unsecured obligations

The Bonds constitute direct, unconditional, unsubordinated and subject to Condition 4 (see “Terms and Conditions of the Bonds — Negative Pledge”) unsecured obligations of the Company ranking *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds rank at least equally with all its other unsecured and unsubordinated obligations, indebtedness and monetary obligations of the Company, from time to time outstanding, subject to Condition 4 (see “Terms and Conditions of the Bonds — Covenants — Negative Pledge”). The repayment of the Bonds may be compromised if:

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

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

Modification and waivers of the Conditions may be made in respect of the Conditions and the Trust Deed by majority Bondholders or the Trustee, and decisions may be made on behalf of all Bondholders that which are binding on all Bondholders and may be adverse to the interests of the individual Bondholders

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

The Conditions also provide that the Trustee may, without the consent of Bondholders, agree to:

- (a) any modification of any of the provisions of the Trust Deed, the Agency Agreement and/or the Conditions that is, in the Trustee's opinion, of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law; and
- (b) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Conditions, the Trust Deed and/or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders.

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

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

While the Bonds are represented by the Global Certificate, the Company will discharge its payment obligations under the Bonds by making payments to the common depositary for the Clearing Systems, for distribution to their account holders. A holder of a beneficial interest in the Global

Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

Further issuances, offers or sales of Shares or fluctuations in the price of the Shares could adversely affect the price of the Bonds

Further issuances, offers or sales of, or the real or perceived possibility of further issuances, offers or sales of a significant number of additional Shares or securities convertible or exchangeable into or exercisable for the Shares or any securities or financial instruments whose economic value is determined directly or indirectly by reference to the market price of the Shares could adversely affect prevailing market prices for the Shares and have an impact on the market price of the Bonds. It is difficult to predict the effect, if any, that sales of Shares, including sales or transfers of large positions held by institutional and corporate investors, or the availability of the Shares for future sale, will have on the market price of the Shares and the Bonds. In addition, the market price of the Bonds will at any time be affected by fluctuations in the price of the Shares. The price of the Shares may be adversely or positively influenced by, among other things, the Company's results of operations and other political, economic and financial factors that can affect the capital markets and general market sentiments. Any decline in the price of the Shares would adversely affect the secondary market price of the Bonds.

The risks described above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to amendment and save for the paragraphs in italics, are the Terms and Conditions of the Bonds, substantially as they will appear on the reverse of each of the definitive certificates evidencing the Bonds.

The issue of the HK\$3,925,000,000 in aggregate principal amount of Zero Coupon convertible bonds due 2023 (the “**Bonds**”, which term shall include, unless the context requires otherwise, any additional Bonds issued pursuant to the option to increase the principal amount of the Bonds (the “**Option Bonds**”) and any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) of Zhongsheng Group Holdings Limited (the “**Company**”) and the right of conversion into Shares (as defined in Condition 6(C)(E)) was authorised by a resolution of the board of directors of the Company passed on 2 May 2018. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated on or about 23 May 2018 (the “**Issue Date**”) made between the Company and The Bank of New York Mellon, London Branch as trustee for the holders (as defined below) of the Bonds (the “**Trustee**”, which expression shall include all persons for the time acting as trustee or trustees under the Trust Deed). These terms and conditions (the “**Conditions**”) include summaries of which and are subject to the detailed provisions of the Trust Deed. The Bondholders (as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all of the provisions of the Trust Deed, and are deemed to have notice of those provisions applicable to them of the paying, conversion and transfer agency agreement dated on or about 23 May 2018 (the “**Agency Agreement**”) relating to the Bonds made between the Company, the Trustee, The Bank of New York Mellon, London Branch as principal paying and conversion agent (the “**Principal Agent**”), The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar (the “**Registrar**”) and transfer agent and the other paying, conversion and transfer agents appointed under it (each a “**Paying Agent**”, “**Conversion Agent**”, “**Transfer Agent**” and together with the Registrar and the Principal Agent, the “**Agents**”) relating to the Bonds. References to the “**Principal Agent**”, “**Registrar**” and “**Agents**” below are references to the principal agent, registrar and agents for the time being for the Bonds.

Copies of the Trust Deed and the Agency Agreement are available for inspection upon prior written request and satisfactory of proof of holding during usual business hours at the principal office for the time being of the Trustee (presently at One Canada Square, London E14 5AL, United Kingdom) and at the specified offices for the time being of each of the Agents. The Bondholders are entitled to the benefit of and are bound by all provisions of the Trust Deed, and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

1. Status

The Bonds constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of the Company’s other present and future unsecured and unsubordinated obligations.

2. Form, Denomination and Title

(A) Form and Denomination

The Bonds are in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof (the “**Authorised Denomination**”). A bond certificate (each a “**Certificate**”) will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the “**Register**”) which the Company will procure to be kept by the Registrar.

Upon issue, the Bonds will be represented by the Global Bond Certificate deposited with a common depositary for, and representing Bonds registered in the name of a nominee of, Euroclear and Clearstream. The Conditions are modified by certain provisions contained in the Global Bond Certificate. See “The Global Bond Certificate”.

(B) Title

Title to the Bonds passes only by transfer and registration in the Register as described in Condition 3. The holder of any Bond will (except as otherwise required by law or ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, or the theft or loss of, the Certificate issued in respect of it) and no person will be liable for so treating the holder. In these Conditions “**Bondholder**” and (in relation to a Bond) “**holder**” means the person in whose name a Bond is registered (or in the case of a joint holding, the first named thereof).

3. Transfers of Bonds; Issue of Certificates

(A) Register

The Company will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and the United Kingdom in accordance with the terms of the Agency Agreement on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(B) Transfer

Subject to Conditions 3(E) and 3(F) and the terms of the Agency Agreement, a Bond may be transferred by delivery of the Certificate issued in respect of that Bond, with the form of transfer on the back of such Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of either the Registrar or any of the Transfer Agents, 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 the transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of the Bond transferred and (where not all of the Bonds held by the holder are being transferred) the principal amount of the balance of the Bonds not so transferred, is an

Authorised Denomination. Where not all Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor. No transfer of a Bond will be valid unless and until entered on the Register.

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

(C) Delivery of New Certificates

Each new Certificate to be issued upon a transfer or (if applicable) conversion of Bonds will, within five business days (as defined below) of receipt by the Registrar or, as the case may be, any Transfer Agent of the original Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds (but free of charge to the holder and at the Company's expense) to the address specified in the form of transfer.

Except in the limited circumstances described herein (see "The Global Bond Certificate"), owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates. The Bonds are not issuable in bearer form.

Where only part of a principal amount of the Bonds (being that of one or more Bonds) in respect of which a Certificate is issued is to be transferred, converted or redeemed, a new Certificate in respect of the Bonds not so transferred, converted or redeemed will be made available for collection at the specified office of the Registrar or such other relevant Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Bonds not so transferred, converted or redeemed (but free of charge to the holder and at the Company's expense) to the address of such holder appearing on the Register.

For the purposes of this Condition 3, Condition 4, Condition 5 and Condition 6, "**business day**" shall mean a day other than a Saturday or Sunday on which banks are open for business in Hong Kong and in the city in which the specified office of the Registrar (if a Certificate is deposited with it in connection with a transfer or conversion) or the Agent with whom a Certificate is deposited in connection with a transfer or conversion, is located.

(D) Formalities Free of Charge

Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Company, the Registrar or any of the Transfer Agents, but (i) upon payment (or the giving of such indemnity as the Company or such Transfer Agent may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer and (ii) subject to Conditions 3(E) and 3(F).

(E) Closed Periods

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven days ending on (and including) the dates for payment of any principal pursuant to the Conditions; (ii) after a Conversion Notice (as defined in Condition 6(D)) has been delivered by such Bondholder with respect to a Bond; (iii) after a Relevant Event Redemption Notice (as

defined in Condition 8(D)) or a Put Notice (as defined in Condition 8(E)) has been deposited by such Bondholder in respect of such Bond pursuant to Conditions 8(D) or 8(E) respectively; and (iv) during the period of seven days ending on (and including) any date of redemption pursuant to Conditions 8(B) and 8(C). Each such period is a “**Closed Period**”.

(F) Regulations

All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Company, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder upon written request and satisfactory proof of holding.

4. Covenants

(A) Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed), the Company shall not, and the Company shall procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Bonds equally and rateably therewith to the satisfaction of the Trustee or (b) providing such other security for the Bonds as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of Bondholders.

(B) Undertakings relating to the NDRC

The Company undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC or its competent local counterpart (the “**NDRC**”), the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業借用外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into immediate effect and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time (the “**NDRC Post-Issuance Filing**”). The Company shall submit or cause to be submitted the NDRC Post-Issuance Filing and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds.

The Company shall within ten business days after submission of such NDRC Post-Issuance Filing provide the Trustee with a certificate in English signed by a director of the Company who is also an authorised signatory of the Company confirming the submission of the NDRC Post-Issuance Filing. The Company shall within ten business days after submission of such NDRC Post-Issuance Filing give notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-Issuance Filing. The Trustee shall have no obligation to monitor or assist with or ensure the completion of the NDRC Post-Issuance Filing

on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-Issuance Filing, and shall not be liable to Bondholders or any other person for not doing so.

In these Conditions:

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

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

“Indebtedness” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

“Principal Subsidiary” means, at any time, a Subsidiary of the Company:

- (a) whose total revenue (consolidated in the case of a Subsidiary which has Subsidiaries) as shown by its latest audited income statement is at least 2 per cent. of the consolidated total revenue as shown by the latest published audited income statement of the Company and its consolidated Subsidiaries
- (b) whose gross profit (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited income statement, is at least 2 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Company and its consolidated Subsidiaries, including for the

avoidance of doubt, the Company and its consolidated Subsidiaries' share of profits of subsidiaries not consolidated and of associated entities and after adjustments for minority interests; or

- (c) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) as shown by its latest audited balance sheet, are at least 2 per cent. of the consolidated net assets of the Company and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Company and its consolidated Subsidiaries, including, for the avoidance of doubt, the investment of the Company and its consolidated Subsidiaries in each subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Company and of associated companies and after adjustment for minority interests;

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

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Company relate, the reference to the then latest consolidated audited accounts of the Company and its Subsidiaries for the purposes of the calculation above shall, until consolidated audited accounts of the Company for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest consolidated audited accounts of the Company and its Subsidiaries adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Company or any Subsidiary which itself has Subsidiaries, no consolidated accounts are prepared and audited, total revenue, gross profit or total assets of the Company and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by or on behalf of the Company;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, gross profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by or on behalf of the Company; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Company, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Company; or
- (v) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, whereupon the Principal Subsidiary which so transfers its assets shall forthwith

upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall immediately become a Principal Subsidiary, provided that on or after the date on which the first published audited accounts (consolidated, if appropriate) of the Company prepared as of a date later than such transfer are issued, whether or not such transferor Subsidiary or transferee Subsidiary would continue to be a Principal Subsidiary shall be determined on the basis of such accounts by virtue of the provisions of (a), (b) or (c) above;

A certificate signed by an authorised signatory of the Company stating that, in its opinion, a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

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

“**Relevant Indebtedness**” means any Indebtedness incurred outside of the PRC which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market), and for the avoidance of doubt, the definition of “**Relevant Indebtedness**” shall not include any loans raised by the Company or any of its Subsidiaries under a bilateral or syndicated loan agreement;

“**Security Interest**” means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction; and

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

In this Condition (4), “**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

5. Interest

The Bonds do not bear interest.

However, if the Company fails to pay any sum in respect of the Bonds when the same becomes due and payable under these Conditions, interest shall accrue on the overdue sum at the rate of four per cent. per annum (both before and after judgment) until the earlier of (a) the day on which all sums due in respect of such Bond up to that date are received by or on behalf of the relevant Bondholder and (b) three business days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that third business day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions). Such default interest shall accrue on the basis of a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

6. Conversion

(A) Conversion Right

- (i) *Conversion Period:* Subject as hereinafter provided, the Bondholders have the right to convert their Bonds into Shares (as defined in Condition 6(A)(v)) at any time during the Conversion Period referred to below.

The right of a Bondholder to convert any Bond into Shares is called the “**Conversion Right**”.

Subject to and upon compliance with, the provisions of this Condition, the Conversion Right attaching to any Bond may be exercised, at the option of the holder thereof, at any time on or after 3 July 2018 up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the tenth day prior to the Maturity Date (as defined in Condition 8(A)) (both days inclusive), except as provided in Condition 6(A)(iv), in no event thereafter) or, if such Bond shall have been called for redemption by the Company before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than 15 days (both days inclusive and in the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to Condition 8(D) or Condition 8(E) then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice (the “**Conversion Period**”).

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

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

The number of Shares issuable upon conversion of any Bond shall be determined by dividing the principal amount of the Bond converted by the Conversion Price in effect on the Conversion Date (both as hereinafter defined). A Conversion Right may only be exercised in respect of one or more Bonds. If more than one Bond held by the same holder is converted at any time by the same holder, the number of Shares to be issued upon such conversion will be calculated on the basis of the aggregate principal amount of the Bonds to be converted by such holder.

- (ii) *Fractions of Shares*: Fractions of Shares will not be issued on conversion and no cash adjustments will be made in respect thereof. However, if a Conversion Right in respect of more than one Bond is exercised at any one time such that Shares to be issued on conversion are to be registered in the same name, the number of such Shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds being so converted and rounded down to the nearest whole number of Shares. Notwithstanding the foregoing, in the event of a consolidation or re-classification of Shares by operation of law or otherwise occurring after 3 May 2018 which reduces the number of Shares outstanding, the Company will upon conversion of Bonds pay in cash (in Hong Kong dollars by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(C)(A), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds HK\$100.00. Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(D)(i)) after the relevant Conversion Date.
- (iii) *Conversion Price and Conversion Ratio*: The price at which Shares will be issued upon conversion (the “**Conversion Price**”) will initially be HK\$30.0132 per Share, but will be subject to adjustment in the manner provided in Condition 6(C). For the purposes of these Conditions, “**Conversion Ratio**” means the principal amount of each Bond divided by the applicable Conversion Price.
- (iv) *Revival and/or Survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Company shall default in making payment in full in respect of any Bond which shall have been called or put for redemption on the date fixed for redemption thereof, (b) any Bond has become due and payable prior to the Maturity Date by reason of the occurrence of any of the events under Condition 10, or (c) any Bond is not redeemed on the Maturity Date in accordance with Condition 8(A) or the applicable date for redemption in accordance with Condition 8(D) or Condition 8(E), the Conversion Rights attaching to such Bond will revive and/or will continue to be exercisable up to, and including, the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the date upon which the full amount of the moneys payable in respect of such Bond has been duly received by the Principal Agent or the Trustee and notice of such receipt has been duly given to the Bondholders and, notwithstanding the provisions of Condition 6(A)(i), any Bond in respect of which the Certificate and Conversion Notice are deposited for conversion prior to such date shall be converted on the relevant Conversion Date (as defined below) notwithstanding that the full amount of the moneys payable in

respect of such Bond shall have been received by the Principal Agent or the Trustee before such Conversion Date or that the Conversion Period may have expired before such Conversion Date.

- (v) *Meaning of “Shares”*: As used in these Conditions, the expression “**Shares**” means ordinary shares of par value HK\$0.0001 each of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company.

(B) Conversion Procedure

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

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

which The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) or the Alternative Stock Exchange (as defined in Condition 6(C) below), as the case may be, is open for the business of dealing in securities.

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

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

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

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

If the record date for the payment of any dividend or other distribution in respect of the Shares is on or after the Conversion Date in respect of any Bond, but before the Registration Date (disregarding any retroactive adjustment of the Conversion Price referred to in this sub-paragraph (iii) prior to the time such retroactive adjustment shall have become effective), the Company will calculate and pay to the converting Bondholder or his designee an amount in Hong Kong dollars (the "**Equivalent Amount**") equal to the Fair Market Value (as defined below) of such dividend or other distribution to which he would have been entitled had he on that record date been such a shareholder of record and will make the payment at the same time as it makes payment of the dividend or other distribution, or as soon as practicable thereafter, but, in any event, not later than seven days thereafter. The Equivalent Amount shall be paid by means of a Hong Kong dollar cheque drawn on a bank in Hong Kong and sent to the address specified in the relevant Conversion Notice.

(C) Adjustments to Conversion Price

Upon the occurrence of any of the following events described below, the Conversion Price will be adjusted as follows but no adjustment shall be made which will cause the Conversion Price to be less than the par value of the Shares:

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

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

where:

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

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

Such adjustment shall become effective on the date the alteration takes effect.

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

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

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

where:

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

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

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

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

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

where:

- A is the aggregate nominal amount of the issued Shares immediately before such issue;
- B is the aggregate nominal amount of Shares issued by way of such Scrip Dividend multiplied by a fraction of which (i) the numerator is the amount of the whole, or the relevant part, of the Relevant Cash Dividend and (ii) the denominator is the Current Market Price of the Shares issued by way of Scrip Dividend in respect of each existing Share in lieu of the whole, or the relevant part, of the Relevant Cash Dividend; and
- C is the aggregate nominal amount of Shares issued by way of such Scrip Dividend;

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

(iii) *Distributions:*

- (A) Subject to Condition 6(C)(iii)(B), if and whenever the Company shall pay or make any Distribution to the Shareholders other than in cash only (except to the extent that the Conversion Price falls to be adjusted under Condition 6(C)(ii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such Distribution by the following fraction:

where:

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

- A is the Current Market Price of one Share on the last Trading Day preceding the date on which the Distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Distribution is actually made or, if later, the first date upon which the Fair Market Value of the Distribution is capable of being determined as provided in these Conditions.

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

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

where:

A is the Current Market Price of one Share on the date on which the Distribution is publicly announced; and

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

Such adjustment shall become effective on the date on which such Distribution in cash is actually made or if a record date is fixed therefore, immediately after such record date.

For the avoidance of doubt, when the Distribution is by means of distribution of cash dividend as referred to in the definition of “Distribution”, only such portion of cash dividend or distribution which exceeds the threshold as referred to therein shall be regarded as a Distribution (the “**Excess Portion**”) and only the Excess Portion should be taken into account in determining the amount of cash or Fair Market Value (as the case may be) attributable to one Share under this Condition 6(C)(iii).

- (iv) *Rights Issues of Shares or Options over Shares*: If and whenever the Company shall issue Shares to all or substantially all Shareholders as a class by way of rights issue, or issue or grant to all or substantially all Shareholders as a class, by way of rights issue, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 93 per cent. of the Current Market Price per Share on the last Trading Day preceding the date of the announcement of the terms of the issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue or grant by the following fraction:

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

where:

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

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

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

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

where:

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

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

- (vi) *Issues at less than Current Market Price:* If and whenever the Company shall issue (otherwise than as mentioned in Condition 6(C)(iv) above) any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or issue or grant (otherwise than as mentioned in Condition 6(C)(iv) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than 93 per cent. of the Current Market Price per Share on the date of announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

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

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

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

- (vii) *Other Issues at less than Current Market Price:* Save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within this Condition 6(C)(vii) if and whenever the Company or any of its Subsidiaries (otherwise than as mentioned in Condition 6(C)(iv), 6(C)(v) or 6(C)(vi) or (at the direction or request of or pursuant to any arrangements with the Company or any of its Subsidiaries), any other company, person or entity shall issue wholly for cash any securities (other than the Bonds and any Option Bonds but excluding for this purpose any further bonds issued pursuant to Condition 15) which by their terms of issue carry rights of conversion into, or exchange or

subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 93 per cent. of the Current Market Price per Share on the date of announcement of the terms of issue of such securities.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

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

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

- (viii) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in Condition 6(C)(vii) (other than in accordance with the terms of such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 93 per cent. of the Current Market Price per Share on the date of announcement of the proposals for such modification.

In such an event, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

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

where:

- A Current Market Price of one share on the last Trading Day preceding the date on which such modification is announced; and

B is the difference on a per Share basis between Fair Market Value of the modification on the date of such announcement and the consideration received for such modification (if any).

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

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

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

where:

A is the Current Market Price of one Share on the last Trading Day preceding the date on which such issue, sale or distribution is publicly announced; and

B is the Fair Market Value on the date of such announcement of the portion of the rights attributable to one Share.

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

- (x) *Determination by the Company:* If the Company determines that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances (whether or not referred to in paragraphs (i) to (H) above) (even if the relevant event or circumstance is specifically excluded in these Conditions from the operation of paragraphs (i) to (H) above), or that an adjustment should not be made (even if the relevant event or circumstance is specifically provided for in paragraphs (i) to (H) above), or that the effective date for the relevant adjustment should be a date other than that mentioned in paragraphs (i) to (H) above, the Company may, at its own expense, request an Independent Investment Bank, acting as expert, to determine as soon as practicable (i) what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereto and is appropriate to give the result which the Independent Investment Bank considers in good faith to reflect the intentions of the provisions of this Condition 6(C); and (ii) the date on which such adjustment should take effect; and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination; *provided that* where the events or circumstances giving rise to any adjustment pursuant to

this Condition 6(C) have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of events or circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of this Condition 6(C) as may be advised by the Independent Investment Bank to be in its opinion appropriate to give the intended result, *provided that* an adjustment shall only be made pursuant to this Condition 6(C) if it would result in a reduction to the Conversion Price.

For the purposes of these Conditions:

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

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

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

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

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

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

“**Distribution**” means any dividend or distribution, whether of cash or assets in specie or other property by the Company for any financial period, and whenever paid or made and however described or declared after the Issue Date, (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent that an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(ii)(A)) by way of capitalisation of reserves and including any Scrip Dividend to the extent of the Relevant Cash Dividend) unless (i) (and only to the extent that) in the case of a Relevant Cash Dividend, it does not, when taken together with any other cash dividend previously made or paid in respect of the same fiscal year, exceed 20% of the consolidated net profits attributable to shareholders after deducting minority interests and tax for that fiscal year in respect of which the Relevant Cash Dividend is announced, calculated by reference to the published audited income statement for such fiscal year of the Company and its Subsidiaries; or (ii) it comprises a purchase or redemption of Shares by or on behalf of the Company (or a purchase of Shares by or on behalf of a Subsidiary of the Company), where the weighted average price (before expenses) on any one day in respect of such purchase does not exceed 107 per cent. of the Current Market Price of the Shares as published in the Daily Quotation Sheet, as the case may be, either (1) on that date, or (2) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement and, if in the case of either (1) or (2), the relevant day is not a Trading Day, the immediately preceding Trading Day;

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

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

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

On any adjustment, the relevant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried

forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to Bondholders in accordance with Condition 16 as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Bonds, Shares would fall to be issued at a discount to their par value or Shares would be required to be issued in any other circumstances not permitted by applicable laws then in force in Hong Kong and the Cayman Islands.

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

Notwithstanding any provision in Condition 6(C), when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any Subsidiary of the Company pursuant to any Employee Share Scheme (as defined in the Trust Deed) (and which Employee Share Scheme is in compliance with the Listing Rules or, if applicable, the listing rules of an Alternative Stock Exchange), no adjustment will be made to the Conversion Price. No adjustment will be made to the Conversion Price involving an increase in the Conversion Price, except in the case of a consolidation or re-classification of the Shares as referred to in Condition 6(C)(i) above or where there has been a proven manifest error in the calculation of the Conversion Price.

Neither the Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or to make any calculation (or verification thereof) in connection with the Conversion Price and will not be responsible to Bondholders for any loss arising from any failure by them to do so. All adjustments to the Conversion Price under Condition 6(C) shall be determined by the Company, and neither the Trustee nor the Agents shall be responsible for verifying such determinations.

(D) Undertakings

The Company has undertaken in the Trust Deed, *inter alia*, that so long as any Bond remains outstanding:

- (i) it will use its reasonable endeavours (a) to maintain a listing for all the issued Shares on the Hong Kong Stock Exchange, and (b) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Bonds on the Hong Kong Stock Exchange, *provided that* if the Company is unable to obtain or maintain such listing or if the maintenance of such listing is unduly onerous, it will use its reasonable endeavours to obtain and maintain a listing for all the issued Shares on such Alternative Stock Exchange as the Company may from time to time select and notify to the Trustee and the Bondholders in accordance with Condition 16 of the listing or delisting of the Shares (as a class) by any of such stock exchanges;

- (ii) it will use its reasonable endeavours to maintain a listing for the Bonds on the Hong Kong Stock Exchange *provided that* if the Company is unable to obtain or maintain such listing having used its reasonable endeavours or if the maintenance of such listing or trading is unduly burdensome or impractical, it will use its best endeavours to obtain and maintain admission to listing, trading and/or quotation for the Bonds on an Alternative Stock Exchange as the Company may from time to time decide and notify to the Trustee and the Bondholders in accordance with Condition 16 of the listing or delisting Bonds by any of such stock exchanges; and
- (iii) it will pay the expenses of the issue of, and all expenses of obtaining listing for the Shares issued on the exercise of the Conversion Rights attaching to the Bonds and for the Bonds (other than Taxes payable by the relevant Bondholder, as defined in Condition 6(B)(ii)).

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

- (aa) it will reserve, free from any other pre-emptive or other similar rights, out of its authorised but unissued ordinary share capital the full number of Shares liable to be issued on conversion of the Bonds from time to time remaining outstanding and shall ensure that all Shares delivered on conversion of the Bonds will be duly and validly issued as fully-paid;
- (bb) it will not make any reduction of its ordinary share capital or any uncalled liability in respect thereof or of any share premium account or capital redemption reserve fund except, in each case, where the redemption or reduction is permitted by applicable law and results in (or would, but for the provisions of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion Price in accordance with Condition 6 or is otherwise taken into account for the purposes of determining whether such an adjustment should be made;
- (cc) it will comply with any law, rule, regulation, judgment, order, authorisation or decree of any government, governmental or regulatory body or court, domestic or foreign having jurisdiction over the Company or any Subsidiary or any of their respective assets and properties; and
- (dd) it will not make any offer, issue, grant or distribute or take any action which would result in an adjustment of the Conversion Price if, after giving effect thereto, the Conversion Price would be reduced to such an extent that the Shares to be issued on the conversion of any Bond would be issued below the par value of the Shares of the Company,

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

The Company has also given certain other undertakings in the Trust Deed for the protection of the Conversion Rights.

(E) Notice of Change in Conversion Price

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

7. Payments

(A) Principal

Payment of principal, premium (if any) and default interest (if any) will be in Hong Kong dollars and will be made by transfer to the registered account of the Bondholder. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

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

(B) Registered Accounts

For the purposes of this Condition, a Bondholder’s registered account means the Hong Kong dollar account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the second business day (as defined below) before the due date for payment, and a Bondholder’s registered address means its address appearing on the Register at that time.

(C) Fiscal Laws

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

(D) Payment Initiation

Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a business day (as defined below), for value on the first following day which is a business day) will be initiated on the due date for payment (or, if it is

not a business day, the immediately following business day) or, in the case of a payment of principal, if later, on the business day on which the relevant Certificate is surrendered at the specified office of an Agent.

(E) Delay In Payment

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

(F) Business Day

In this Condition, “**business day**” means a day other than a Saturday or Sunday on which commercial banks are open for business in Hong Kong and the city in which the specified office of the Principal Agent is located, in the case of the surrender of a Certificate, in the place where the Certificate is surrendered. If an amount which is due on the Bonds is not paid in full, the Registrar will annotate the Register with a record of the amount (if any) in fact paid.

8. Redemption, Purchase and Cancellation

(A) Maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Bond at 114.63 per cent. of its principal amount on 23 May 2023 (the “**Maturity Date**”). The Company may not redeem the Bonds at its option prior to that date except as provided in Condition 8(B) or 8(C) below (but without prejudice to Condition 10).

(B) Redemption for Taxation Reasons

- (i) The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice (a “**Tax Redemption Notice**”) to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) at the Early Redemption Amount if (A) the Company has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations or rulings (including a holding by a court of competent jurisdiction) of any Relevant Tax Jurisdiction (as defined in Condition 9), or any change in the general application or official interpretation of or the standing of an official position with respect to, such laws, regulations or rulings, which change or amendment becomes effective, or official position is announced, on or after 3 May 2018, and (B) such obligation cannot be avoided by the Company taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due.

Prior to the publication of any Tax Redemption Notice pursuant to this paragraph, the Company shall deliver to the Trustee (a) a certificate signed by an authorised signatory of the Company stating that the obligation referred to above cannot be avoided by the Company taking reasonable measures available to it and (b) an

opinion of independent legal or tax advisors of recognised standing to the effect that such change or amendment has occurred (irrespective of whether such amendment or change is then effective). The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) and it shall be conclusive and binding on the Bondholders. Upon the expiry of the Tax Redemption Notice, the Company will be bound to redeem the Bonds on the date fixed for redemption.

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

(C) Redemption at the Option of the Company

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

may at any time after 23 May 2021 and prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount, *provided that* (a) the Closing Price of the Shares for each of any 20 Trading Days within a period of 30 consecutive Trading Days, the last of which occurs not more than five Trading Days prior to the date upon which notice of such redemption is published, was at least 130 per cent. of the applicable Early Redemption Amount for each Bond divided by the then prevailing Conversion Ratio and (b) the applicable redemption date does not fall within a Closed Period; or

may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at the Early Redemption Amount *provided that* prior to the date of such notice at least 90 per cent. of the principal amount of the Bonds originally issued (including any Option Bonds and further bonds issued pursuant to Condition 15 and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

If there shall occur an event giving rise to a change in the Conversion Price during any such 20 Trading Day period, appropriate adjustments for the relevant days shall be made, as determined by an Independent Investment Bank, for the purpose of calculating the Closing Price for such days.

(D) Redemption for Delisting, Suspension of Trading or Change of Control

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

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

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

A "**Relevant Event**" occurs:

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

(E) Redemption at the option of the Bondholders

On 23 May 2021 (the “**Put Option Date**”), the holder of each Bond will have the right, at such holder’s option, to require the Issuer to redeem all or some only of the Bonds of such holder on the Put Option Date at 108.54 per cent. of their principal amount and any interest accrued (if any). To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of redemption, in the then current form obtainable from the specified office of any Paying Agent (“**Put Notice**”) together with the Certificate evidencing the Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date.

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

(F) Purchase

The Company or any of its Subsidiaries may at any time and from time to time purchase Bonds at any price in the open market or otherwise.

(G) Cancellation

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

(H) Redemption Notices

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

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

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

(I) Definitions

For the purposes of this Condition 8:

“**Affiliate**” means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person (ii) who is a director or officer of such Person or any Subsidiary of such Person or any Person referred to in clause (i) of this definition; or (iii) who is a direct family member of Mr Huang Yi or Mr Li Guoqiang, as applicable. For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the discretion of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise;

“**Capital Stock**” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock but excluding debt securities convertible into such equity;

a “**Change of Control**” occurs when:

- (i) other than the Permitted Holders, any Person or Persons (defined below) singly or acting together acquire Control of the Company, if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Company on the Issue Date; or
- (A) the Company consolidates with or merges into or sells or transfers all or substantially all of the Company’s assets to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Company or the successor entity; or
- (B) the Permitted Holders at any time and for any reason ceases to Control the Company;

“**Control**” or used as a verb “**Control(s)**” means (a) the acquisition or holding of legal or beneficial ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of the Company, or (b) the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise;

“**Common Stock**” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Trust Deed, and include, without limitation, all series and classes of such common stock or ordinary shares;

“**Early Redemption Amount**” means an amount in respect of each HK\$1,000,000 principal amount of the Bonds (the “**Calculation Amount**”) representing for the Bondholder on the relevant date for determination of the Early Redemption Amount (the “**Determination Date**”) a gross yield of 2.75 per cent. per annum calculated on a semi-annual basis by an Independent Investment Bank. The applicable Early Redemption Amount for each HK\$1,000,000 principal amount of Bonds is calculated in accordance with the following formula, rounded (if necessary) the resulting figure to the nearest cent (half a cent being rounded upwards) (*provided that* if the date fixed for redemption is a Semi-annual Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Semi-annual Date):

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

Previous Redemption Amount = the Early Redemption Amount for each Calculation Amount on the Semi-annual Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to 23 November 2018, HK\$1,000,000):

Semi-annual Date	Early Redemption Amount (HK\$)
23 November 2018	1,013,750.00
23 May 2019	1,027,689.06
23 November 2019	1,041,819.79
23 May 2020	1,056,144.81
23 November 2020	1,070,666.80
23 May 2021	1,085,388.47
23 November 2021	1,100,312.56
23 May 2022	1,115,441.86
23 November 2022	1,130,779.18
23 May 2023	1,146,327.40

$r = 2.75$ per cent. expressed as a fraction

$d =$ number of days from and including the immediately preceding Semi-annual Date (or if the Bonds are to be redeemed on or before 23 November 2018, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed

$p = 180$

“**Permitted Holders**” means any or all of the Permitted Huang Holders or Permitted Li Holders.

“Permitted Huang Holders” means any or all of the following:

- (i) Mr Huang Yi;
- (ii) the estate and any spouse or immediate family member of the Persons specified in clause (i) or the legal representatives of any of the foregoing, and for the avoidance of doubt, includes any trust for which Mr Huang Yi, his spouse or immediate family member is a settlor or beneficiary;
- (iii) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) in the definition of Affiliate) of the Persons specified in clause (i) and (ii); and
- (iv) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are wholly owned by Persons specified in clauses (i), (ii) and (iii);

“Permitted Li Holders” means any or all of the following:

- (i) Mr Li Guoqiang;
- (ii) the estate and any spouse or immediate family member of the Persons specified in clause (i) or the legal representatives of any of the foregoing, and for the avoidance of doubt, includes any trust for which Mr Li Guoqiang, his spouse or immediate family member is a settlor or a beneficiary;
- (iii) any Affiliate (other than an Affiliate as defined in clause (ii) or (iii) in the definition of Affiliate) of the Persons specified in clause (i) and (ii); and
- (iv) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are wholly owned by Persons specified in clauses (i), (ii) and (iii);

“Person” includes any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof but does not include the Company’s directors or any other governing board and does not include the Company’s direct or indirect subsidiaries;

“Voting Rights” means the right generally to vote at a general meeting of shareholders of the Company (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

“Voting Stock” means, with respect to any Person, Capital Stock or any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

For the avoidance of doubt, none of the Trustee or the Agents shall be under any duty to determine, calculate or verify the Early Redemption Amount payable under this Condition 8 and will not be responsible to Bondholders for any loss arising from any failure by it to do so.

9. Taxation

All payments made by the Company under or in respect of the Bonds and the Trust Deed will be made free from any restriction or condition and be made without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by (i) any jurisdiction where the Company is organised or otherwise considered by a taxing authority to be resident for tax purposes or any political organisation or governmental authority thereof or therein having power to tax or (ii) the Cayman Islands, Hong Kong, or any political organisation or governmental authority thereof or therein having power to tax ((i) and (ii) each, a “**Relevant Tax Jurisdiction**”), unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Company will pay such additional amounts (the “**Additional Tax Amounts**”) as will result in the receipt by the Bondholders of the net amounts after such deduction or withholding equal to the amounts which would otherwise have been receivable by them had no such deduction or withholding been required except that no such additional amount shall be payable in respect of any Bond:

- (i) *Other connection:* to a Bondholder (or to a third party on behalf of a Bondholder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with a Relevant Tax Jurisdiction otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (J) *Presentation more than 30 days after the relevant date:* (in the case of a payment of principal) if the Certificate in respect of such Bond is surrendered more than 30 days after the relevant date except to the extent that the holder would have been entitled to such Additional Tax Amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days;

For the purposes hereof, “**relevant date**” means whichever is the later of (a) the date on which such payment first becomes due and (b) if the full amount payable has not been received by the Trustee or the Principal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders and payment made.

References in these Conditions to principal shall be deemed also to refer to any Additional Tax Amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

10. Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its sole discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding, or if so directed by an Extraordinary Resolution, shall (subject in either case to being indemnified and/or secured and/or pre-funded by the holders to its satisfaction), give written notice to the Company that the Bonds are, and they shall immediately become due and repayable at their principal amount (subject as provided below and without prejudice to the right of Bondholders to exercise the Conversion Right in respect of their Bonds in accordance with Condition 6) if:

- (i) *Non-Payment*: there is a default in the payment of any principal due in respect of the Bonds on the due date for such payment and the default continues for a period of 7 days;
- (K) *Breach of Other Obligations*: the Company does not perform or comply with one or more of its other obligations in the Bonds, the Trust Deed or the Agency Agreement which default is incapable of remedy or, if capable of remedy, is not remedied within 30 days after written notice of such default shall have been given to the Company by the Trustee;
- (L) *Failure to deliver Shares*: the Company fails to deliver the Shares as and when such Shares are required to be delivered and such failure continues for a period of 7 days;
- (M) *Cross-default of Company or Principal Subsidiary*:
 - (A) any Indebtedness of the Company or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any applicable grace period;
 - (B) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or
 - (C) the Company or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness,

provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph 10(M) have occurred equals or exceeds US\$25,000,000 or its equivalent in any other currency or currencies;
- (N) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment is rendered against the Company or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment;
- (O) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Company or any of its Principal Subsidiaries;

- (P) *Insolvency, etc.:* (i) the Company or any of its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made and such application is not discharged or stayed within 14 days) in respect of the Company or any of its Principal Subsidiaries or the whole or a substantial part of the undertaking, assets and revenues of the Company or any of its Principal Subsidiaries, (iii) the Company or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or any Guarantee of any Indebtedness given by it and such action is not discharged or stayed within 14 days or (iv) the Company or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Principal Subsidiary of the Company, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);
- (Q) *Winding up, etc.:* an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Company or any of its Principal Subsidiaries (otherwise than, in the case of a Principal Subsidiary of the Company, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent);
- (R) *Analogous event:* any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (v) (*Unsatisfied judgment*) to (viii) (*Winding up, etc.*) above;
- (S) *Failure to take action, etc.:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Company lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Bonds or the Trust Deed, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Bond Certificates and the Trust Deed admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done;
- (T) *Unlawfulness:* it is or will become unlawful for the Company to perform or comply with any of its obligations under or in respect of the Bonds or the Trust Deed; or
- (U) *Government intervention:* (i) all or part of the undertaking, assets and revenues of the Company or any of its Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Company or any of its Principal Subsidiaries is prevented by any such person from exercising normal control over all or part of its undertaking, assets and revenues.

None of the Trustee or any of the Agents shall be responsible for the performance by the Company and any other person appointed by the Company or the Company in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and the Trustee and the Agents need not do anything to ascertain whether an Event of Default has occurred or is continuing

and will not be responsible to Bondholders or any other person for any loss arising from any failure by it to do so, and unless the Trustee or any Agent has received written notice from the Company to the contrary, the Trustee and each Agent shall assume that the same are being duly performed.

11. Prescription

Claims in respect of amounts due in respect of the Bonds will become prescribed unless made within 10 years from the relevant date (as defined in Condition 9) in respect thereof.

12. Enforcement

At any time after the Bonds have become due and repayable, the Trustee may, at its discretion and without further notice, take such actions or proceedings against the Company as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed but

it will not be bound to take any such actions or proceedings unless (i) it shall have been so requested in writing by the holders of not less than 25 per cent. in aggregate principal amount of the Bonds then outstanding or shall have been so directed by an Extraordinary Resolution of the Bondholders and (ii) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Company unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing.

13. Meetings of Bondholders, Modification, Waiver and Substitution

(A) Meetings

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or the provisions of the Trust Deed. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing over 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding or, at any adjourned such meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the due date for any payment in respect of the Bonds, (ii) to reduce or cancel the amount of principal or Equivalent Amount or Early Redemption Amount payable in respect of the Bonds or changing the method of calculation of the Early Redemption Amount, (iii) to change the currency of payment of the Bonds, (iv) to modify (except by an adjustment to the Conversion Price in accordance with Condition 6(E)) or cancel any of the Conversion Rights, or (v) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution (each a “**Reserved Matter**”), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding.

An Extraordinary Resolution passed at any meeting of Bondholders will be binding on all Bondholders, whether or not they are present at the meeting.

The Trust Deed provides that a written resolution signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall be as valid and effective as a duly passed Extraordinary Resolution.

(B) Modification and Waiver

The Trustee may agree, without the consent of the Bondholders, to (i) any modification (except for Reserved Matters in Condition 13(A) above) to, or the waiver or authorisation of any breach or proposed breach of, the Bonds, the Agency Agreement or the Trust Deed which is, in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders or (ii) any modification to the Bonds, the Agency Agreement or the Trust Deed which, in the Trustee's

opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of law. Any such modification, waiver or authorisation will be binding on the Bondholders and, unless the Trustee agrees otherwise, any such modifications will be notified by the Company to the Bondholders as soon as practicable thereafter in accordance with Condition 16.

(C) Directions from Bondholders

None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible 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 where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed or these Conditions.

(D) Interests of Bondholders

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

(E) Certificates/Reports

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

14. Replacement of Certificates

If any Certificate is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Registrar or any Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Company and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Further Issues

The Company may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest and the timing for reporting to the NDRC) so as to form a single series with the Bonds. The Company may from time to time create and issue other series of bonds having the benefit of the Trust Deed, provided that such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

16. Notices

All notices to Bondholders shall be validly given if mailed to them at their respective addresses in the Register maintained by the Registrar or published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date(s) of such publication(s) and the seventh day after being so mailed, as the case may be.

So long as the Bonds are represented by the Global Bond Certificate and the Global Bond Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System for communication by it to entitled account holders in substitution for notification as required by these Conditions.

17. Agents

The names of the initial Agents and the Registrar and their specified offices are set out below. The Company reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Agent or the Registrar and to appoint additional or other Agents or a replacement Registrar. The Company will at all times maintain (a) a Principal Agent and (b) a Registrar which will maintain the Register outside Hong Kong and the United Kingdom. Notice of any such termination or appointment, of any changes in the specified offices of any Agent or the

Registrar and of any change in the identity of the Registrar or the Principal Agent will be given promptly by the Company to the Bondholders and in any event not less than 45 days' notice will be given.

18. Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking actions or proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Company or any Bondholder and any entity related to the Company or any Bondholder without accounting for any profit.

19. Contracts (Rights of Third Parties) Act 1999

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

20. Governing Law and Submission to Jurisdiction

The Bonds, the Trust Deed and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by the laws of England. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds the Company has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of the courts of England and in relation thereto has appointed Cogency Global (UK) Limited now at 6 Bevis Marks, 1st Floor, London EC3A 7BA, as its agent for service of process in England.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the “Conditions” or the “Terms and Conditions”) set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be represented by a Global Certificate which will be registered in the name of The Bank of New York Depository (Nominees) Limited as nominee for, and deposited with, a common depository for Euroclear and Clearstream, Luxembourg.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal sum to the holder on 23 May 2023 or on such earlier date or dates as the same may become payable in accordance with the Conditions, together with any additional amounts payable in accordance with the Conditions, all subject to and in accordance with the Conditions.

The Global Certificate will become exchangeable in whole, but not in part, for individual certificates (“**Individual Certificates**”) if (a) Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 10 (*Events of Default*) 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 registered holder of the Global Certificate, Euroclear and/or Clearstream, Luxembourg, 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 Bonds 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 of the Bonds as they apply to the Bonds evidenced by the Global Certificate. The following is a summary of certain of those provisions:

Meetings

The registered holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each HK\$1,000,000 in principal amount of Bonds for which the Global Certificate is issued. The Trustee may allow any accountholder (or the representative of such person) of a clearing system entitled to Bonds in respect of which the Global Certificate has been issued to attend and speak (but not to vote) at a meeting of Bondholders on appropriate proof of his identity.

Cancellation

Cancellation of any Bonds required by the Conditions to be cancelled following their redemption, conversion or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may to the extent it considers it appropriate to do so in the circumstances, have regard to any information provided to it by such clearing system as to the identity (either individually or by category) of its accountholders with entitlements to Bonds and may consider such interests as if such accountholders were the holders of the Bonds.

Conversion

The Bonds are convertible into fully-paid ordinary shares of par value HK\$0.0001 of the Issuer subject to and in accordance with the Conditions and the Trust Deed. Subject to the requirements of Euroclear and Clearstream, Luxembourg (or any other clearing system (an “**Alternative Clearing System**”)), the Conversion Rights (as defined in the Conditions) attaching to the Bonds may be exercised by the presentation thereof to or to the order of the Principal Agent of one or more Conversion Notices (as defined in the Conditions) duly completed by or on behalf of a holder of a book-entry interest in such Bonds. Deposit of the Global Certificate with the Principal Agent together with the relevant Conversion Notice(s) shall not be required. The exercise of the Conversion Right shall be notified by the Principal Agent to the Registrar and the holder of the Global Certificate.

Record Date

Notwithstanding Condition 7(A) (*Payments — Principal*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, 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 payments, where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business.

Notices

Notwithstanding Condition 16 (*Notices*), so long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, notices to holders of Bonds represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System.

Determination of entitlement

The Global Certificate is evidence of entitlement only and is not a document of title. Entitlements are determined by the Register and only the holder is entitled to payment in respect of the Global Certificate.

Transfer

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective direct and indirect participants.

Enforcement

For all purposes other than with respect to the payment of principal and premium (if any) on the Bonds in respect of which the Global Certificate is issued, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such Bonds (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of Bonds represented by a Global Certificate standing to the account of any person shall be conclusive and binding for all purposes) shall be recognised as the holder of such principal amount of Bonds.

USE OF PROCEEDS

The estimated net proceeds from the issue of the Bonds after deduction of commission and expenses, amount to approximately HK\$3,880,000,000, among which, (1) approximately 61% of the proceeds will be used to fund the repurchase of the HK\$2,350,000,000 in aggregate principal amount of zero coupon convertible bonds issued by the Company on 30 October 2017 (the “**Existing Convertible Bonds**”); (2) approximately 15% of the proceeds will be used to open new 4S stores in order to further expand the Company’s network coverage and for potential mergers and acquisitions when such opportunities arise; (3) approximately 14% of the proceeds will be used for working capital purpose to strengthen the financial position of the Group; and (4) approximately 10% will be used for repayment of offshore debt.

The Sole Lead Manager was granted an option by the Issuer to subscribe for up to an additional HK\$775,000,000 in principal amount of the zero coupon convertible bonds due 2023 (the “**Option Bonds**”). Such option was exercised in full by the Sole Lead Manager on 14 May 2018 pursuant to the Terms and Conditions. The estimated net proceeds from the issue of the Option Bonds after deduction of commission and expenses, amount to approximately HK\$760,000,000, among which, (1) approximately 30% of the proceeds will be used to open new 4S stores in order to further expand the Company’s network coverage and for potential mergers and acquisitions when such opportunities arise; (2) approximately 40% of the proceeds will be used for working capital purpose to strengthen the financial position of the Group; and (3) approximately 30% will be used for repayment of offshore debt.

CAPITALISATION AND INDEBTEDNESS

Capitalisation of the Company

The following table sets out the consolidated capitalisation and indebtedness of the Group under HKFRS as at 31 December 2017, and as adjusted to give effect to the issue of the Bonds. The table should be read in conjunction with the published audited consolidated financial information for the year ended 31 December 2017 and the related notes thereto, which are incorporated by reference into this Offering Circular.

The as adjusted information below is illustrative only and does not take into account any changes in the consolidated capitalisation and indebtedness of the Group after 31 December 2017 other than to give effect to the issue of the Bonds.

	As at 31 December 2017	
	Actual	As Adjusted
	RMB'000	
Total borrowings — current portion		
Bank loans and other borrowings	16,828,479	16,828,479
Convertible bonds, current portion	1,883,958	1,883,958
	18,712,437	18,712,437
 Total borrowings — non-current portion		
Bank loans and other borrowings	2,494,628	2,494,628
Convertible bonds to be issued (<i>Note 1</i>) (<i>Note 2</i>)	—	3,767,680
	2,494,628	6,262,308
 Equity		
Share capital	197	197
Reserves	15,912,794	15,912,794
 Total equity attributable to owners of the parent	15,912,991	15,912,991
 Total capitalisation (<i>Note 3</i>)	18,407,619	22,175,299

Notes:

- (1) In accordance with the Hong Kong Accounting Standard 32, a convertible bond that can be converted into equity share capital at the option of the holder which is accounted for as compound financial instruments contains both a liability component and an equity component. For illustrative purpose, the aggregate net proceeds we are expecting to receive from the issue of the bonds (after deducting commissions and expenses) will be assumed as the liability component and no allocation to the equity component will be made.
- (2) Exchange rate is 1HKD = 0.8120RMB, which is the PBOC exchange rate announced on 3 May 2018.
- (3) Total capitalisation is equal to the sum of non-current portion of total borrowings and total equity attributable to owners of the parent.

Since 31 December 2017, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Save as otherwise described in this Offering Circular, there has been no material adverse change in the consolidated capitalisation and indebtedness of the Issuer since 31 December 2017.

BUSINESS

Overview

We are one of the leading national automobile dealership groups in China focusing on luxury and mid-to-high end brands. Our 4S dealerships are concentrated in cities with relatively high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern inland regions of China. We have grown rapidly from 178 operating 4S dealerships located across nearly 70 cities and 16 provinces at the beginning of 2014 to 286 4S dealerships in operation in nearly 90 cities and 24 provincial regions at the end of 2017.

We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands including Mercedes-Benz, Lexus, Audi, BMW, Jaguar, Land Rover, Porsche and Volvo, and mid-to-high end automobile brands including Toyota, Nissan and Honda. Each of our 4S dealerships is designated to sell one brand of automobile and typically only permitted to operate at a single point of sale.

Through our “one-stop automobile shop” business model, we offer a comprehensive range of new automobiles, after-sales products and services as well as a wide array of services in connection with second hand automobiles, insurance and finance in our 4S dealerships to our customers. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair and maintenance services, detailing services, and other automobile-related products and services. Each of the new automobile sales business and after-sales businesses has its own features in terms of business model and revenue and profitability contributions to the Group.

Our revenue for the three years ended 31 December 2015, 2016 and 2017 was RMB59,142.6 million, RMB71,599.2 million and RMB86,290.3 million, respectively, representing a CAGR of approximately 20.8% during such periods. Revenue generated from the sales of new automobiles accounted for approximately 87.7%, 87.2% and 86.6% of our total revenue for the three years ended 31 December 2015, 2016 and 2017. The gross profit margin of our sales of new automobiles was 2.6%, 3.3% and 4.0%; and the gross profit margin of our after-sales businesses was 45.5%, 48.8% and 48.9% during the same periods, respectively. Revenue generated from our new automobile sales business accounted for approximately 87.7%, 87.2% and 86.6% and the revenue generated from our after-sales businesses accounted for approximately 12.3%, 12.8% and 13.4% of our revenue during the same periods. Our profit attributable to owners of the parent for the three years ended 31 December 2015, 2016 and 2017 was RMB461.0 million, RMB1,860.2 million and RMB3,350.4 million, respectively, representing a CAGR of approximately 169.6% during such periods.

Based on the information provided by CADA, we accounted for approximately 4.7%, 4.8% and 5.3% of the Top 100 Chinese automobile dealership groups’ total revenue in 2015, 2016 and 2017, respectively. The Group was ranked third, second and second among the passenger car dealerships in terms of revenue in 2015, 2016 and 2017, respectively, in the PRC.

As a leading national automobile dealership group in the PRC, we believe that as a result of our strong portfolio of luxury and mid-to-high end automobile brands and strategic positioning as a “one-stop automobile shop”, we are well-placed to benefit from the growth of China’s middle-class and the continued rise in the per capita disposable income of Chinese consumers, and further consolidate our market leadership position.

Recent developments

Recent financial information

We published the audited financial information for the year ended 31 December 2017 pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Save as disclosed therein, there has been no material adverse change in our total revenue, total profit and total assets since 31 December 2017.

Grant of Share Options

On 26 April 2018, the Company offered to grant share options to two eligible directors of the Company (the “**Directors**”) under the share option scheme adopted by the Company on 9 February 2010, subject to acceptance by such Directors, which will entitle such Directors to subscribe for an aggregated of 11,000,000 new ordinary shares of HK\$0.0001 each in the capital of the Company, representing approximately 0.49% of the issued share capital of the Company as at 26 April 2018.

Repurchase of the Existing Convertible Bonds

On 3 May 2018, the Company entered into a dealer manager agreement with J.P. Morgan Securities plc (the “**Sole Dealer Manager**”) pursuant to which the Sole Dealer Manager was appointed in connection with the repurchase of the Existing Convertible Bonds to, amongst others, assist the Company in collecting indications of interests from holders of the Existing Convertible Bonds who are willing to sell some or all of their Existing Convertible Bonds to the Company.

The Company may, through the Sole Dealer Manager, purchase the Existing Convertible Bonds from time to time in the open market or otherwise pursuant to the terms and conditions of the Existing Convertible Bonds.

Our competitive strengths

We believe that our success and potential for future growth can be attributed to a combination of our competitive strengths.

We are one of the leading national automobile dealership groups in China, with a strong presence of 4S dealerships in cities with relatively high net worth populations in multiple regions

We have a strong presence of 4S dealerships in cities with relatively high net worth populations located in the northeastern, northern, eastern, central, southern, southwestern and northwestern inland regions of China. We have grown our 4S dealership network from covering 178 operating 4S dealerships across 70 cities and 16 provinces at the beginning of 2014 to covering 286 4S dealerships across nearly 90 cities and 24 provincial regions at the end of 2017.

We have a diversified portfolio of luxury and mid-to-high end automobile brands

We have a diversified portfolio of luxury and mid-to-high end automobile brands. At the end of 2017, we operated 286 dealerships, of which 151 were luxury brand dealerships and 135 were mid-to-high end brand dealerships, resembling a healthy balance between luxury and mid-to-high end automobile brands. We have dealership agreements with various leading global automobile manufacturers and/or their PRC joint venture corporations, including luxury automobile brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar, Land Rover, Porsche and Volvo and mid-to-high end automobile brands such as Toyota, Nissan and Honda.

We believe our automobile brands are popular among Chinese consumers and have experienced sustained sales growth in the PRC. According to a PRC market survey conducted by JD Power in 2017, our luxury and mid-to-high end automobile brands, Mercedes-Benz, Lexus, Audi, Toyota, Nissan, Honda and others, are the most highly-rated automobile brands in terms of overall service satisfaction based on service initiation, service advisor, service facility, automobile pickup and service quality. According to IHS Markit Ltd., between 2012 and 2017, Mercedes-Benz, Lexus and Audi, recorded a CAGR for their total sales in the Chinese market of approximately 23.9%, 17.3% and 8.2%, respectively, whereas Toyota, Nissan and Honda recorded a CAGR for their total sales in the Chinese market of approximately 9.2%, 8.2% and 20.2%, respectively.

We have established strong and long-term working relationships with leading automobile manufacturers

We have established strong and long-term working relationships with leading global automobile manufacturers and/or their PRC joint venture corporations. We were the first PRC dealership granted with dealership rights by Toyota and one of the first authorized 4S dealerships in the PRC for Audi and Lexus, all of which have been important new automobile suppliers to us since then.

Automobile manufacturers in China have become increasingly selective in entering into new dealership arrangements, and tend to favour high performance dealerships. In particular, certain of the automobile manufacturers are increasingly limiting new 4S dealership arrangements to top performing dealers in each region. In light of these developments, we believe our strong and established relationships with the automobile manufacturers, strong sales, high customer satisfaction and track record, position us well to expand our network of 4S dealerships further in China.

Our customer-focused philosophy and store-level operational expertise have resulted in our highly-ranked 4S dealerships with consistent quality service and satisfactory customer experience

As our business is retail in nature, we understand and place great emphasis on customer service. Our corporate motto “Zhongsheng — Lifetime Partner” is central to our corporate culture. We believe that providing high-quality services to each of our customers is the key to building long-lasting customer relationships, and to attracting new customers for each of the businesses offered by our “one-stop automobile shop” business model. In line with this core principle, we provide systematic training courses to our customer-facing employees such as our sales personnel, and structure our employee compensation system with the aim of promoting high customer satisfaction.

In order to serve our customers better, we have developed a detailed customer database containing customer records from all of our 4S dealerships, which allows us to track our customers’ usage patterns and preferences for our products and services. This in turn allows us to understand and anticipate each of our customer’s needs and requirements.

As a result of our customer-focused philosophy, our Group ranked the third, second and second among the Top 100 Automobile Dealers in China published by CADA for 2015, 2016 and 2017, respectively, and ranked first in terms of comprehensive profitability for 2016 and 2017. In 2017, we were once again selected as one of the Fortune China 500, an international authoritative ranking, and ranked 90th on the list. In addition, we were granted the “2016 Most Influential Brand in China’s Automobile Dealer Industry” and the “2016 China’s Automobile Dealer Industry Outstanding Contribution Award” by the CADA.

Our large scale operations allow us to achieve economies of scale

Our large scale operations allow us to achieve economies of scale from the human resources, business and financial perspectives.

Human resources

As a result of our large scale operations, we have been able to implement a systematic approach to foster capable and experienced managers. One of our corporate policies is to promote capable personnel within the Group’s operations and provide a clear career path to those personnel, thus forming a large pool of motivated and experienced employees to support our business expansion plans.

By leveraging our strong operational expertise accumulated throughout our national store network, we frequently apprentice new recruits to our best performing 4S dealerships for training, before rotating them to 4S dealerships in other locations. We believe this ensures best practice sharing and the accumulated business expertise in our best-performing 4S dealerships can be replicated at all of our 4S dealerships.

In addition, as we are a leading national automobile dealership group in the PRC with a diversified portfolio of automobile brands, we are able to offer our employees with a clear career path encompassing a variety of opportunities to work with different automobile brands as well as work in other regions in China, and we believe this would increase our employee retention rates in the face of intense competition for human resources.

Business

With an extensive 4S dealership network across various regions in the PRC, we are able to coordinate and aggregate orders for new automobiles, as well as spare parts, automobile accessories and other automobile-related products. This allows us to exercise better inventory control for automobiles, spare parts, automobile accessories and other automobile-related products, which in turn helps us to optimize the mix of automobiles and automobile-related products in each of our 4S dealerships.

In addition, the size of our 4S dealership network and our strong financial resources with large purchase amount yields us stronger bargaining power. We believe that as compared with our competitors, we are in a strong position to bargain for better commercial terms from suppliers of spare parts, automobile accessories and other automobile-related products.

Financial

Our financial resources provide each of our 4S dealerships ready access to funds, which enables us to order sufficient quantities of automobiles as well as spare parts, automobile accessories and other automobile-related products from our automobile manufacturers and other suppliers to meet the demands of our large customer base. With growing business scale, we are also able to reduce per unit operating expenses. In addition, through a centralized budgeting and management process, we are able to allocate our financial resources more efficiently across our entire 4S dealership network. Furthermore, with our financial resources, we are in a stronger position in funding potential acquisitions in a timely manner without interrupting our existing 4S dealerships' businesses.

We have efficient information technology systems to support our business

We have set up advanced information technology systems in our headquarters and across our 4S dealership network as a uniform platform which facilitate the expansion of our business. In late 2008, we completed the roll-out of our ERP system which maintains in a single database the information needed for a variety of business functions such as quota, inventory, financial, human resources and customer relationship management.

We also use our information technology systems to identify fast and slow-selling automobile models or spare parts, accessories or other automobile-related products, analyse the sales trends of different products in different regions based on the historical data of purchase orders and sales data, and improve the mix of products and services offered at each of our 4S dealerships.

Our efficient information technology systems have significantly improved our ordering, inventory and logistics management as well as financial and cash management, and have helped us to minimize the costs of maintaining inventory and improve our overall sales performance.

We will continue to upgrade our information technology systems on an ongoing basis as necessary. We believe that an upgraded information technology system will continue to facilitate the exchange of information between our headquarters and our 4S dealership network, and enable us to improve our data analysis to support the formation and execution of our business and operational strategies.

We are able to grow rapidly both organically and through acquisitions

Organic growth

As a leading national automobile dealership group in China, we have significant expertise in operating 4S dealerships and a deep bench of capable store managers and other personnel. We can set up and operate new 4S dealerships swiftly and successfully by leveraging our industry know-how, brand recognition, established working relationships with automobile manufacturers, and our experienced personnel from existing 4S dealerships.

We also strive to improve the performance of our dealerships by rigorously executing our strict in-house requirements and standards, tracking store management indicators, training and motivating our staff, expanding into high value-added automobile-related businesses, while emphasizing our customer-focused philosophy. In addition, we have a team of experienced managers who regularly travel throughout our 4S dealership network to provide on-site guidance and support.

Acquisitions

We carried out a series of acquisitions in 2017 to further enhance our brand portfolio and expand our 4S dealership network. We fully or in majority acquired interests in companies which operate 4S dealerships in Jiangxi, Shaanxi, Sichuan, Shandong, Hebei, Jiangsu, Guangdong, Hainan, Jilin provinces and Chongqing municipality to strengthen our presences in these regions.

We believe that our aggregated group resources enable us to capitalize on acquisition opportunities in a timely manner. We have a well-established track record of acquiring 4S dealerships and successfully integrating the acquired 4S dealerships with a significant improvement in their performance. We utilize the benefits of our wide network of 4S dealerships and management expertise to improve the operation of newly acquired 4S dealerships, including the appointment of management teams to the newly-acquired 4S dealerships to share best practices, conduct on-site training, and resolve any existing issues.

We have an experienced senior management team, a deep bench of high-calibre store managers, and access to reliable source of skilled technical personnel

Our senior management comprises industry veterans with extensive in-depth experience in the PRC automobile industry. Our founders, Mr. Huang Yi and Mr. Li Guoqiang, each has nearly 30 years' industry experience, and remain actively involved in our management and day-to-day operations. We consider the leadership of our experienced senior management competitive advantage and a key factor in our success and achievements.

In addition, we have a deep bench of high-caliber store managers. We have devised and successfully implemented an in-house program to train and develop our store managers, who are crucial to the success of our 4S dealerships. Many of our store managers are internally trained and promoted, and have completed a training program at our best-performing 4S dealerships. We also rotate each trainee manager to different positions in a 4S dealership, including deputy-store manager, sales director, service director and finance director, to ensure that our store managers are familiar with all operational aspects of a 4S dealership.

We work together with the automobile manufacturers and local educational institutions to train automotive engineers and technicians. For example, we believe our extensive relationship with Toyota provides us a significant advantage by enabling us to draw engineering talent from Toyota's numerous automotive training schools in China. We have also participated in a joint initiative with Dalian Vocational Technical College, where we provide financial support and assist in designing the curriculum for automotive engineering classes. We are a preferred recruiter at Dalian Vocational Technical College, which has been a vital and reliable source of technical personnel for our repair, maintenance and detailing business.

Our strategies

Our aim is to further strengthen our position as a leading national automobile dealership group in the PRC. To accomplish this, we intend to expand our business by strategically expanding our 4S dealership network, further increasing productivity and profitability, improving customer service quality at each of our 4S dealerships, continuing to strengthen our after-sales businesses, developing our used automobile sales business and other value-added services and augmenting our employee talent pool.

Increasing the size of our 4S dealership network and market coverage through both organic growth and acquisitions

We believe that by increasing the size of our 4S dealership network and market coverage through both organic growth and acquisitions, we can further improve the mix of automobile brands in our portfolio and the products and services we offer and maximize profitability. We intend to capitalize on our strong cash flow and aggregated financial resources to increase the size of our 4S dealership network and market coverage.

Organic growth

Our 4S dealerships are strategically concentrated in cities with high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern inland regions of China, including Beijing Municipality, Shanghai Municipality, Tianjin Municipality, Chongqing Municipality, Dalian City, Shenyang City, Qingdao City, Nanjing City, Changshu City, Wuxi City, Hangzhou City, Suzhou City, Shenzhen City, Dongguan City, Fuzhou City, Guangzhou City, Foshan City, Zhengzhou City, Jinan City, Haikou City and Sanya City, as well as selected cities in inland China, including Chengdu City, Xian City, Wuhan City, Changsha City, and Kunming City. We believe these cities and region have significant market potential, and demand for automobiles, spare parts, automobile accessories and other automobile-related products, and repair, maintenance, and detailing services, will increase in these cities and regions because of expected rises in per capita disposable income and/or the nature of the local transportation requirements and networks.

We intend to capitalize on our local know-how, relationships and positive brand image built up by our existing 4S dealerships, as well as our in-depth industry expertise, to establish successful new 4S dealerships rapidly in the same regions or adjacent regions. We believe that our strong and established working relationships with leading global automobile manufacturers and their PRC joint venture corporations will also enable us to acquire additional 4S dealership licenses to further expand our distribution network of 4S dealerships in the PRC.

Acquisitions

We expect the increasingly competitive nature of the PRC automobile dealership industry and automobile manufacturers' tendency to consolidate the PRC automobile dealership industry by entering new dealership arrangements only with their top performing dealers to present acquisition opportunities for the Group. We believe we are well-positioned to take advantage of such opportunities to further expand our business and consolidate our market leadership position.

We continue to look for and hold constant dialogue with potential acquisition targets that are strategically important to our automobile brands and geographical coverage. While our Board and senior management team will set the overall strategy, our business development team will conduct market research and due diligence on the identified targets. Other departments serve as an integral team to provide support both during the pre-acquisition phase, such as conducting financial and legal due diligence, and during post-acquisition integration, such as appointing management team to each newly-acquired 4S dealership to share best practice, conduct on-site training, and improve operational efficiency. We intend to utilize our wide network of 4S dealerships, automobile manufacturers' support and significant operational expertise to quickly integrate and achieve significant improvements in the acquired 4S dealerships.

Further increasing productivity and profitability as well as promoting customer service quality of each of our 4S dealerships

Even though our 4S dealerships have had outstanding business performance during the three years ended 31 December 2015, 2016 and 2017, we still aim to further increase productivity and profitability of each of our 4S dealerships, and to further promote service quality of each of our 4S dealerships. We believe by better utilizing the Group resources and more efficient management, there is still growth potential for even the most profitable 4S dealership in our network.

Measures taken at the Group level

At the Group level, we will continue to utilize our economies of scale as a group, to formulate overall growth strategy and detailed execution plan and organize implementation in each store, to allocate the Group's resources efficiently, and to promote healthy competition and successful experience sharing among our 4S dealerships. These measures are aimed to promote profitability of individual 4S dealerships through the collective strength of the Group. For example, we will continue utilizing our aggregate ordering and procuring power to obtain better commercial terms from the suppliers of spare parts, automobile accessories and other automobile-related products. Please refer to the section entitled "*Our Business — Our Competitive Strengths — Our large scale of operations allow us to achieve economies of scale*". Through the Group's general budget plan and resources allocation, we are able to adjust the automobile quotas to our 4S dealerships to some extent to achieve a better mix of automobile and automobile-related inventory for our 4S dealerships. In addition, through internal auditing and incentive scheme mechanism at the Group level, we can increase our management efficiency and strengthen the Group's management of 4S dealerships.

Measures taken at the 4S dealership level

At the 4S dealership level, we will continue to improve key performance indicators (“KPI”) for our 4S dealerships. Through tracking and reviewing the KPI, we can promote management efficiency and customers satisfaction, thus improving the profitability of each 4S dealership. For example, general managers at 4S dealership level will closely monitor market trends and sales performance of each type of automobiles for sale and make corresponding adjustments to the types of automobiles to procure and types of services to provide. In addition, based on the customers’ requirements for different services and taking into account the level of profitability of different services, our 4S dealership will undertake decoration, renovation, and upgrades of the physical site.

We will also continue improving and implementing policies to rotate our 4S store managers among different 4S dealerships, to ensure successful experience sharing and enhance service quality. This policy is part of an effort to accelerate the growth of our newly built 4S dealerships, and to help them quickly reach the same level of operation efficiency and profitability as our well-established 4S dealerships. Our newly acquired 4S dealerships will receive the same support to improve performance in a short period of time. We will also reinforce training programs for ground sales personnel, client service staff, and after-sales services engineers and technicians to promote the quality and efficiency of service provided and to enhance our customers’ satisfaction.

In addition, we will continue adopting new measures to expand our high value-added automobile-related business to promote the profitability of our 4S dealerships. While our new automobile sales, repair and maintenance services are steadily growing, we will expand the scope of our automobile decoration and accessories businesses to explore the potential value in our automobile-related business chain. We will also expand other revenue streams by facilitating automobile insurance agency, automobile finance agency and automobile licensing related services.

All the measures we have taken at 4S dealership level aim to increase our sales, promote our customers’ satisfaction and increase the efficiency of services provided, which we believe will help us attract more customers and reduce costs at our existing 4S dealerships, thus further enhancing each of our 4S dealership’s revenue and profitability.

Utilizing our existing resources and customer base in new automobile sales to promote our after-sales businesses, including retailing spare parts, providing repair, maintenance and detailing services, and retailing automobile accessories

Our customer-focused philosophy has historically resulted in high customer satisfaction with our new automobile sales, which we believe will drive more sales and increased patronage of our after-sales businesses. Our after-sales businesses offer our customers a wide range of automobile-related products and services at several locations across the PRC, including spare parts, automobile accessories and other automobile-related products and repair, maintenance, detailing and other automobile-related services through our extensive network of 4S dealerships and our “one-stop automobile shop” business model.

We intend to expand our business operations by utilizing our existing resources and customer base to continue strengthening our after-sales businesses. China's automobile market is dominated by first-time buyers, which is evidenced by the majority of our revenue from automobile dealerships being generated from new vehicle sales. We expect that this increase in new automobile sales and development of the after-sales in the PRC will lead to greater demand for our after-sales businesses.

Through the expansion of the after-sales businesses at our existing 4S dealerships, we believe that we will increase the overall profitability of each 4S dealership, as our after-sales businesses yield higher profit margins when compared to our new automobile sales business. Our after-sales businesses are a stable source of revenue for our 4S dealerships.

We intend to increase the efficiency of our repair, maintenance and detailing businesses at our existing 4S dealerships. To this end, we aim to increase the number of customers in these businesses so that our repair, maintenance and detailing businesses can operate closer to full capacity. We plan to retain existing customers and attract new customers and retain existing or acquired customers through effective marketing and promotional activities tailored to our repair, maintenance and detailing businesses. Additionally, we will continuously train our technical personnel and review and reconfigure our service operations and processes to improve the quality and efficiency of the services we provide.

We believe that our automobile accessories business will strongly benefit from our reputation for quality customer service and automotive technical excellence, and that we will be able to leverage on our large customer base, deep bench of high-calibre personnel, extensive distribution network, and in-depth knowledge and understanding of the PRC automobile market to expand our automobile accessories business quickly.

Expanding our business operations by developing our used automobile sales business to complement our existing businesses

We believe that the current PRC used automobile market will mature and expand in line with the large increase in automobile purchases in China. Driven by the Certain Opinions on Promoting the Second-hand Vehicles Trade 《關於促進二手車便利交易的若干意見》, the used automobile market in China started to boom. In 2016, the total trading volume of used automobiles in China increased by 10.33% on a year-on-year basis to 10.3907 million units. We intend to capture the opportunities in the swift growth of the used automobiles market in China. We believe that we will be able to secure supplies of used automobiles from our large existing customer base, and that we will be able to grow our used automobile sales business rapidly with our extensive 4S dealership network, strong reputation, large pool of experienced and highly-skilled automotive engineers and technicians, and in-depth knowledge and understanding of the PRC automobile market.

In order to address the common concerns of PRC consumers in relation to used automobiles, we intend to adopt a number of strategies, including applying strict procurement standards, leveraging our reputation for quality customer service and automotive technical excellence in relation to the restoration and/or repair work carried out on our used automobiles, and partnering with the automobile manufacturers to provide official certification and manufacturer warranties for our used automobiles. We also plan to source our used automobiles primarily and directly from private sellers. These include individuals seeking to trade in their existing automobiles for new automobiles. We believe that we can capture market share quickly through our existing dealership network.

Leveraging on our extensive industry experience and network to develop value-added services

We plan to take advantage of the developing market and to utilise our extensive industry experience and network to further expand our value-added services such as insurance service and finance service. We also intend to tap into opportunities to participate in the financial leasing business which we expect will enhance our profit structure and overall profitability.

Enlarging our employee talent pool to support our continued growth

Our employees are critical to our success. We have invested, and intend to continue to invest, substantially in our employees in order to recruit, integrate and retain the best personnel for our businesses. We have a systematic approach to recruit talents to suit our business development needs. For example, we have formed and will maintain and enhance our strategic relationship with local education institutes to ensure our continued access to highly-skilled automotive engineers and technicians. We will also continue to regularly review and improve our training programs for multiple levels of our employees, from senior management teams to our trainee managers and newly recruited sales and service personnel, to improve our employees' productivity and service quality. Furthermore, we have established and will continue to promote our KPI-driven corporate culture with a clear career and promotion system to motivate our employees. Our employees are provided with rotation opportunities both cross-stores and cross-functions to develop their skills and their own career path with us.

Our business

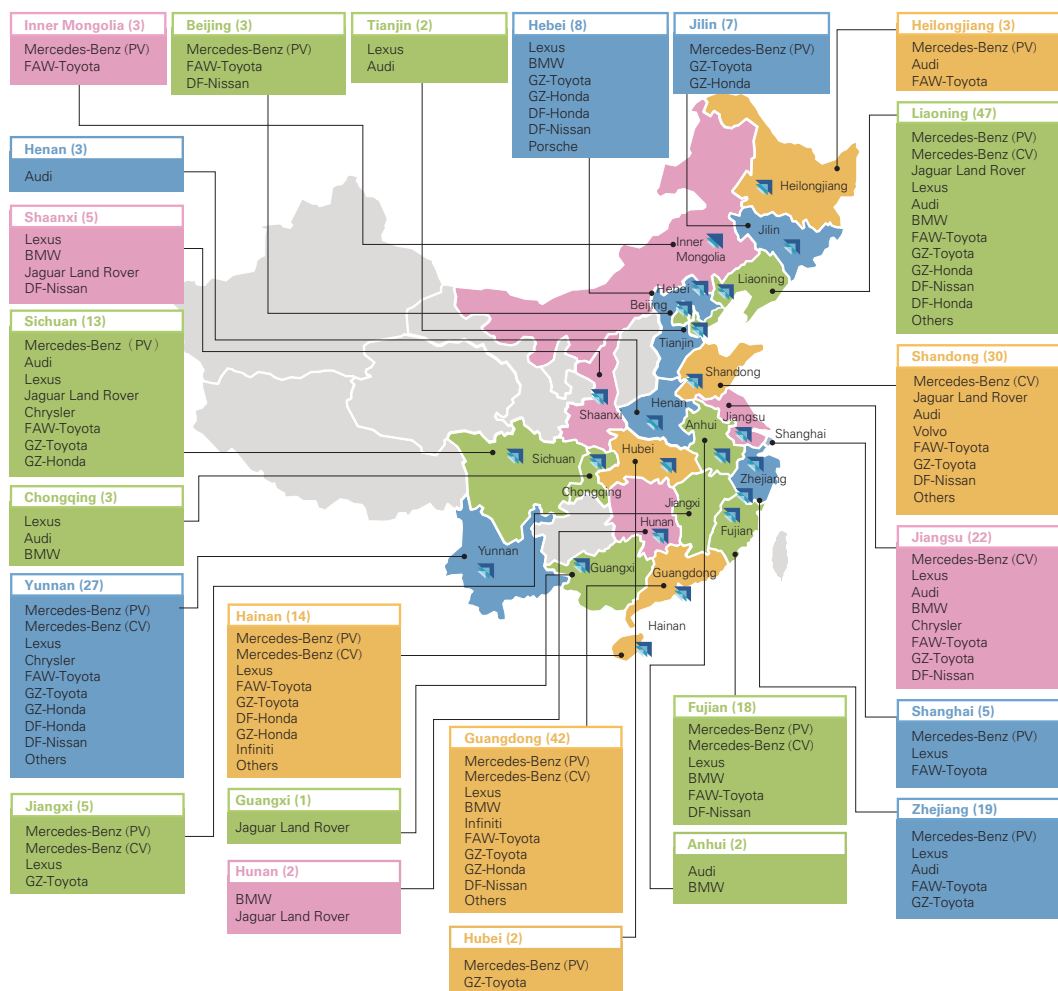
Our 4S Dealership Network

We are one of the leading national automobile dealership groups in the PRC. We have a strong presence of 4S dealerships in cities with relatively high net worth populations in the northeastern, northern, eastern, central, southern, southwestern and northwestern inland regions of China. The total number of our 4S dealerships in operation has grown from 47 as of 31 December 2009 to 286 as of 31 December 2017.

The following table sets out certain information with respect to our 4S dealership network as at the date indicated:

	As of 31 December						
	2011	2012	2013	2014	2015	2016	2017
Number of 4S dealerships	<u>140</u>	<u>160</u>	<u>178</u>	<u>191</u>	<u>213</u>	<u>251</u>	<u>286</u>

The following map illustrates the geographic coverage of our 4S dealership network as of 31 December 2017.



As of 31 December 2017, our 4S dealership network included 286 4S dealerships in operation in nearly 90 cities and 24 provincial regions in China.

In terms of geographical coverage, our 4S dealership network are located in the northeastern and northern regions, including Liaoning Province, Jilin Province, Heilongjiang Province, Inner Mongolia Province, Beijing Municipality and Tianjin Municipality; the eastern and central China regions, including Shandong Province, Jiangsu Province, Zhejiang Province, Anhui Province, Jiangxi Province, Henan Province, Hebei Province, Hubei Province, Hunan Province and Shanghai Municipality; the southern region, including Fujian Province, Hainan Province, and Guangdong Province; the southwestern and northwestern inland regions, including Yunnan Province, Shaanxi Province, Sichuan Province, Guangxi Province and Chongqing Municipality.

Through our 4S dealerships, we offer customers a comprehensive range of new automobiles, after-sales products and services as well as a wide array of services in connection with second hand automobiles, insurance and finance in our 4S dealerships to our customers. In addition to our new automobile sales business, our after-sales businesses offer spare parts, automobile accessories, repair

and maintenance services, detailing services, and other automobile-related products and services. For details on other automobile-related services we offer, please see “Other automobile related businesses” below.

Our 4S Dealerships

Our 4S dealerships integrate the four standard automobile-related business elements initiated by “S”: sales, spare parts, service and survey. Through our 4S dealerships, we sell new automobiles of a single automobile brand, provide after-sales services and engage in a variety of other automobile-related businesses, such as: (i) second hand automobile business; (ii) automobile lease business; (iii) automobile insurance service and finance service business; and (iv) automobile licensing services, in selected 4S dealerships.

The operations of each of our 4S dealerships are governed by a dealership agreement with the relevant automobile manufacturer. Each of our 4S dealerships is operated by a member or members of the Group, with each 4S dealership selling only one brand of automobile and typically only permitted to operate at a single point of sale. These agreements are non-exclusive, must generally be renewed periodically and typically have a term which expires at the end of the next year after the execution of these agreements. The automobile manufacturers have the right to terminate our dealership agreements with prior written notice for a variety of reasons, including failure to rectify performance deficiencies and unapproved changes in ownership or management structure that affect our ability to meet our contractual obligations. As at the date of this Offering Circular, all of our dealership agreements had been renewed or are in the process of being renewed with the relevant automobile manufacturers. During the three years ended 31 December 2015, 2016 and 2017, none of our dealership agreements was terminated by the automobile manufacturers, nor did any automobile manufacturer refuse to renew dealership agreements governing our 4S dealerships.

The time required for our newly established or acquired 4S dealerships to reach a steady level of revenue and profit comparable with those of our existing dealership network depends on many factors, including but not limited to, the popularity of brand it offers among the local customers, the level of competitiveness in the local market, the affluence level in the region, and the experience of management team of the dealership. In general, such required time takes about three years.

Salient terms of our automobile dealership agreements

The following terms are typical in most of our existing dealership agreements. These terms set out our general rights and obligations under the dealership arrangements.

- We agree to permit the relevant automobile manufacturer to conduct on-site performance assessments periodically.
- We are generally required to follow annual sales plans that are set by the automobile manufacturers, and our dealership agreements typically provide minimum purchase or sales requirements.

- We are typically entitled to use the trade names, trademarks and other branding matters in a manner consistent with the standards set by the relevant automobile manufacturer to promote the brand awareness of automobiles we sell through our 4S dealerships.
- The automobile manufacturers may specify the geographical limitation within which our 4S dealership must operate, as well as recommend price guidelines for new automobiles. Our dealership agreements typically allow the relevant automobile manufacturers to adjust the geographical limitation within which a particular 4S dealership may operate. We also have flexibility in adjusting the selling price notwithstanding the price guidelines from the automobile manufacturers.
- We are generally prohibited from knowingly selling automobiles to any customers whose intention is to resell or export automobiles outside the PRC.
- We are prohibited from retailing more than one brand of new automobile in any of our 4S dealerships. We are not required to register our dealership agreements with any relevant authorities.
- We take ownership of the automobiles from the automobile manufacturers upon delivery of the automobiles.
- The automobile manufacturers usually engage logistic companies to deliver automobiles to designated locations. The automobile manufacturers usually bear all the transportation costs and insurance fees incurred during such process.
- The automobile manufacturers have rights to conduct inspection of and site-visits to our 4S dealerships to appraise the performance of our 4S dealerships and their compliance with the dealership agreements.
- Dealership agreements usually have a term which expires at the end of the next year after execution of the agreements. The automobile manufacturers have the right to terminate our dealership agreements with prior written notice for a variety of reasons, including failure to rectify performance deficiencies and changes in ownership or management structure that affect our ability to meet our contractual obligations without their prior consent.

In addition, our 4S dealerships are also required to satisfy certain procedural requirements and obtain certain permits, licenses and approvals from relevant PRC Government authorities. Depending on the location of each 4S dealership, these could include archival filing with MOFCOM for new automobile sales, archival filing with SAIC for new automobile sales, project initiation approvals from the Ministry of Transport, road transport licenses from the relevant provincial counterpart of the Ministry of Transport for repair and maintenance or licenses for concurrent insurance agency. All of the permits, licenses and approvals required by the Group are subject to different renewal and validity conditions depending on the location of particular 4S dealerships and the businesses engaged in by that 4S dealership.

Our “One-stop Automobile Shop” Business Model

Through our “one-stop automobile shop” business model, we offer our customers new automobiles and after-sales services. Our new automobile sales business retails luxury and mid-to-high end brand automobiles. Our after-sales businesses offer spare parts, provide repair, maintenance and detailing services, and retail automobile accessories.

The table below sets forth the percentages of revenue and gross profit attributed to our new automobile sales business and our after-sales and accessories business for the years indicated.

	<u>Year ended 31 December,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenue (%):			
— New automobile sales business	87.7	87.2	86.6
— After-sales and accessories business	<u>12.3</u>	<u>12.8</u>	<u>13.4</u>
Total	<u><u>100.0</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>
Gross profit (%):			
— New automobile sales business	28.9	31.9	34.7
— After-sales and accessories business	<u>71.1</u>	<u>68.1</u>	<u>65.3</u>
Total	<u><u>100.0</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

New automobile sales

We generate the majority of our revenue from the sale of new automobiles. For the years ended 31 December 2015, 2016 and 2017, revenue from new automobile sales accounted for approximately 87.7%, 87.2% and 86.6% of our total revenue, respectively. We have dealership agreements to operate our 4S dealerships for a diversified portfolio of automobile brands, consisting of luxury automobile brands such as Mercedes-Benz, Lexus, Audi, BMW, Jaguar, Land Rover, Porsche and Volvo, and mid-to-high end automobile brands such as Toyota, Nissan and Honda. The automobiles we retail through our 4S dealerships include both imported automobiles and automobiles produced domestically by the automobile manufacturers and/or their PRC joint venture corporations. For the three years ended 31 December 2015, 2016 and 2017, Mercedes-Benz is our largest automobile brand in terms of sales, and revenue from Mercedes-Benz automobiles accounted for approximately 27.2%, 28.1% and 30.6% of our revenue from new automobile sales, respectively.

As a common market practice, the automobile manufacturers often provide us with volume-based rebates, which are generally determined with reference to the units of new automobiles purchased, and are adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices, and dealership presentation standards. Our dealership agreements with the automobile manufacturers often include volume-based rebates, which are decided with reference to the units of new automobiles purchased and adjusted based on our satisfaction of certain targets set by the relevant automobile manufacturers, including sales targets, customer satisfaction indices and dealership presentation standards. The automobile manufacturers will settle the rebates with us from time to time taking into account the above factors

by deducting the price payable by the Group in the subsequent purchases placed by the Group. For more information, see “Risk Factors — Risks relating to our business — There can be no assurance that we will continue to receive rebates from the automobile manufacturers”.

After-sales businesses

Our after-sales businesses provide a wide range of services and products to our customers including repair, maintenance, detailing services and automobile accessories. After-sales businesses set high service standards, and focus on providing quality customer-oriented services to satisfy our customers’ needs. Services under warranties are included in the after-sales businesses. The target markets for our after-sales businesses are large and growing strongly, driven by our rapidly expanding customer base as the number of automobile owners continues to increase.

In addition, the profit margins for our after-sales businesses are generally significantly higher than the profit margin for our new automobile sales business. For the three years ended 31 December 2015, 2016 and 2017, we achieved gross profit margin of 2.6%, 3.3% and 4.0% for our new automobile sales business, compared with gross profit margin of 45.5%, 48.8% and 48.9% for our after-sales and accessories business segment, respectively. As a result, a relatively mature 4S dealership, in term of operating history, is expected to have a large portion of profits derived from after-sales businesses.

As a result of its recurrent business nature, the revenue and income from after-sales businesses are more steady compared with those derived from the new automobile sales. In addition, after-sales businesses require relatively less working capital to operate. Such inventories can be procured on credit terms that vary from product to product.

The primary customers for our after-sales businesses are those who purchase new automobiles from our 4S dealerships. The after-sales businesses may also bring new automobile sales business. A 4S dealership with quality after-sales service and high customer satisfaction will not only retain existing customers, but also attract more new customers for new automobile sales and after-sale businesses. We have and will continue to adopt various marketing campaigns, including without limitation, one-on-one client surveys, major client visits, automobile club activities and client referral programs, to identify and procure potential customers of after-sales businesses.

The following is a detailed description of the types of after-sales businesses we operate during the three years ended 31 December 2015, 2016 and 2017.

- Repair, maintenance and detailing services

Repair, maintenance and detailings services are an integral part of our “one-stop automobile shop” service offerings. We provide repair and maintenance services under warranties and we are subject to the terms of sale to our customers, who purchase new automobiles through our 4S dealerships. The automobile manufacturers set the price we charge our customers for providing repair and maintenance services under warranties, and we derive gross profit from the difference between the fee charged and the cost of providing such services.

We also provide repair, maintenance and detailing services to the general public. We use spare parts, accessories and tools primarily produced by the relevant automobile manufacturers and/or other independent suppliers.

Services under warranty

According to The Regulations on Liability for Repair, Replacement and Return of Household Automotive Products (家用汽車產品修理、更換、退貨責任規定), which took effect on 1 October 2013, the warranty period for automobiles shall not be less than the earlier of three years or 60,000 kilometres, commencing from the date on which the seller issues the invoice of the sale of the automobile. In relation to components such as the battery and expendable parts including oil, fuel and air-conditioner filters, brake pads and spark plugs, the warranty period is typically six to 12 months. The product warranty is only valid within the PRC. The automobile manufacturers typically do not pay for repair of component claims not covered by the relevant warranty and for damage caused by wear-and-tear or normal usage, such as punctured tires and broken glass.

Automobile recalls

We also assist in automobile recalls conducted by the automobile manufacturers. It is sometimes necessary for automobile manufacturers to conduct automobile recalls to minimize the risks to consumers in the event of defects and in turn minimize the potential damage to their brand image. In such case, the Group typically rectifies the defect according to the relevant automobile manufacturer's instructions, rather than returning the entire automobile to the automobile manufacturer. Although each automobile manufacturer conducts recalls differently, typically, in the event of a recall campaign, the automobile manufacturer notifies us prior to the commencement of the campaign, and provides us with various documents including repair instructions and the automobile manufacturer's responses to customers' frequently asked questions. Using our database of customer records, we contact the relevant customers and request them to bring their automobiles to our 4S dealerships for inspection and repair where necessary. The automobile manufacturers also provide information to the public about the recall campaign via additional channels, such as press releases, telephone hotlines and websites. In certain situations where the time required to complete the repairs may be longer, we also provide substitute automobiles to our customers and/or a door-to-door delivery service. We maintain records of all relevant correspondence with our customers, and provide regular updates to the automobile manufacturer regarding the recall campaign. Work done in connection with a recall campaign is not charged to the customer but to the automobile manufacturer, using claim or reimbursement forms provided by the automobile manufacturer.

During the three years ended 31 December 2015, 2016 and 2017, automobile manufacturers conducted automobile recalls for a number of their automobile models that we sold, including Mercedes-Benz, Lexus, Toyota and Honda. We are not liable for any damages caused by the automobiles under the recalls. We will provide assistance for automobile recalls conducted by the automobile manufacturers and charge fees for our services. Any work done in connection with the recalls is not charged to the customer but to the automobile manufacturer, using claim or reimbursement forms provided by the automobile manufacturer.

Automobile accessories

We have accumulated significant experience in this area by leveraging on our existing resources including our operational experience, highly trained service teams and extensive market knowledge. The automobile accessories we retail include GPS systems, audio and video equipment, decals, seat covers, floor mats, maintenance products for engine, handling and braking products, tires, waxes and polishes. An automobile accessories division has been established in each of our 4S dealerships, comprising dedicated sales personnel and automotive engineers and technicians. Our automobile accessories are displayed both in dedicated showrooms in the 4S dealerships, and in the new automobiles exhibited in our 4S dealerships. We believe the increasing demand for automobile styling and automobile care products, together with our large customer base derived from our new automobile sales business, will provide significant growth potential for our automobile accessories business.

We may be required to provide warranty with respect to automobile sales and after-sales services so as to protect the legitimate rights and interests of consumers. Under applicable PRC laws, we are required to provide a service warranty for the repair services that we perform. The warranty period commences from the date on which the repaired automobile leaves our store. Under the relevant PRC laws and regulations, automobile repairs are divided into several categories and the mandatory warranty period for each repair varies from the shorter of 10 days or 2,000 kilometres (in the case of basic repairs) to the shorter of 100 days or 20,000 kilometres (in the case of major repairs).

Other value-added businesses

Automobile rental services. In addition to automobile sales, certain of our 4S dealerships provide automobile rental services to customers. We intend to leverage the synergies between our automobile rental services, automobile sales and after-sales services to facilitate cross-selling among these business segments and to enhance our profit structure.

Used automobile sales business. We trade used automobiles through our 4S dealerships, and a substantial number of used automobiles we trade are sourced from our customers. Our used automobile sales business has provided an additional source for our after-sales business.

Automobile insurance service and finance service business. Automobile insurance agency services refer to the arrangement with independent insurance companies, pursuant to which employees of our 4S dealerships will promote the automobile-related insurances provided by such automobile insurance company to our customers at our premises and receive commission from the relevant insurance company. Automobile finance agency related services refer to the arrangement with independent financing entities, pursuant to which employees of our 4S dealerships will promote automobile financing products (for instance, instalment loans) provided by the financing entity to our customers at our premises and help process the application documents for the financing entities. In return, such financing entity will pay us service fee.

These types of services are either commission based or agency services, which do not require large amount of capital to operate. The costs of these types of services are generally labour costs for employees required and costs for necessary equipment. Accordingly, the cash flow generated from daily operation of the 4S dealerships are sufficient to carry out these types of services.

According to our PRC legal advisers, Jingtian & Gongcheng, each 4S dealership conducting automobile insurance agency services is required to obtain licenses according to the Regulations on Administration of Concurrent-Business Insurance Agents (保險兼業代理管理暫行辦法) promulgated by the China Insurance Regulatory Commission. Several of the 4S dealerships in the Group have operated automobile insurance service business during the three years ended 31 December 2015, 2016 and 2017, and all of them have either received or are in the process of applying for proper licenses and registrations required to conduct these businesses. There are no regulatory approvals needed or licenses required for automobile finance agency related services as currently conducted in certain 4S dealerships of the Group.

For the three years ended 31 December 2015, 2016 and 2017, we recorded commission income of RMB972.2 million, RMB1,282.8 million and RMB1,788.6 million for our value-added services, including used automobile sales business and automobile insurance service and finance service business. We have achieved growth in our commission income with a CAGR of 35.6% during the period.

Suppliers and Procurement

Suppliers

Our purchases include new automobiles, spare parts and automobile accessories. For the three years ended 31 December 2015, 2016 and 2017, our costs incurred in relation to new automobile sales were approximately RMB50,493.5 million, RMB60,370.4 million and RMB71,684.6 million, respectively, representing approximately 92.69%, 92.81% and 92.37% of our total costs of sales and services, respectively.

Our top five suppliers are automobile manufacturers which supply us new automobiles and spare parts. For the three years ended 31 December 2015, 2016 and 2017, purchases from our top five suppliers accounted for approximately 81.5%, 80.0% and 78.0% of our total purchases, respectively. For the three years ended 31 December 2015, 2016 and 2017, purchases from our top supplier accounted for approximately 27.6%, 28.9% and 32.5% of our total purchases, respectively.

All of our top five suppliers are independent third parties.

New automobiles

We procure new automobiles directly from automobile manufacturers. The automobile manufacturers set annual non-binding supply quotas of new automobiles for each of their associated 4S dealerships as part of the annual sales plans. These quotas are determined after consideration of a variety of factors, including the automobile manufacturer's own annual production plans and the previous purchase orders and track record of the relevant 4S dealership and may be changed at the automobile manufacturers' discretion. Inventory is managed on a rolling monthly basis with supplies of new automobiles delivered monthly, based on our management's expectations of sales performance at the relevant 4S dealership.

Logistical and financing arrangements

New automobiles are delivered to us regularly, on the basis of orders placed by each of our 4S dealerships. The automobile manufacturers, who are Independent Third Parties, are responsible for the transportation of the new automobiles and bear the associated costs, such as insurance and logistical expenses, until they reach our 4S dealerships or warehouses and are in our custody. Title and risk of the new automobiles are transferred to us at our 4S dealerships or warehouses. In line with industry practice, the automobile manufacturers often require us to make full payment of the purchase price before delivery of the new automobiles to us.

For some of the automobile manufacturers, we pay 20% of purchase price with the remaining amount financed by the automobile manufacturer's automobile financing companies with an interest-free period for up to two months initially. The finance arms of certain automobile manufacturers also extend short-term credit facilities including loans, which may be interest-free for up to two months, to encourage increased purchase orders and sales. For automobiles we have purchased by utilizing the loan from the automobile manufacturer's automobile financing companies, the automobile financing companies will pay the balance of the purchase prices to the automobile manufacturers and thus become our lenders. Accordingly, title and risk of the new automobiles are still transferred to us at our 4S dealership or warehouses upon delivery. We will then repay the loan to our lenders pursuant to the financing arrangements.

All of the automobiles that we sell are purchased in the PRC, regardless of whether they are imported or manufactured locally. Since we do not import automobiles from overseas directly, we are not required to pay any import or custom duties or tariffs for our automobiles. The lead time required for delivery of the new automobiles we sell ranges from two to three weeks to, in extreme cases, four months, depending on whether the automobiles are manufactured in China or overseas. We have not been involved in the parallel import of automobiles into the PRC.

Spare parts and automobile accessories

We source our spare parts, automobile accessories and other automobile-related products from the automobile manufacturers and independent suppliers. Typically, we primarily source spare parts from the automobile manufacturers, and automobile accessories from independent suppliers. Title to spare parts and automobile accessories passes to us upon delivery. Due to the size of our dealership network, we are well-positioned to negotiate for a favourable pricing with our independent suppliers of automobile accessories.

We are entitled to return automobiles, spare parts and automobile accessories with manufacturing defects to the suppliers. If the defects were caused during transport, we will usually claim damages from the logistics and transport companies. From 2015 to 2017, we had no significant purchase returns for automobiles, spare parts or automobile accessories.

Inventory management

We actively manage and maintain our inventories to ensure cost-efficiency, quality control and the timely distribution and sales of new automobiles, spare parts and automobile accessories. Our senior management is actively involved in setting inventory standards, and is continually seeking ways to further improve our inventory control.

We monitor our inventory at each of our 4S dealerships to maintain a reasonable level of inventory turnover. We also maintain an advanced database, which enables us to monitor and manage our inventory turnover of each 4S dealership in a real-time manner for new automobiles, spare parts and automobile accessories. Our average inventory turnover days were 43.5 days, 34.5 days and 29.8 days in 2015, 2016 and 2017, respectively. We strive to maintain optimal inventory levels to meet customer demand while managing our working capital requirements to finance our inventories.

In addition, we utilize our aggregate ordering and procuring power with an aim to obtain competitive pricing from suppliers of spare parts and automobile accessories. Through the Group's general budget plan and resources allocation, we are able to adjust the automobile quotas to some extent to improve mix of automobile inventory for our 4S dealerships. Automobile quota refers to the number of different types of automobile assigned by the automobile manufacturers in a given period of time. Usually the automobile manufacturers will set quota for certain types of automobiles, especially when the market demand for such types of automobile is large.

Marketing and promotional activities

We utilize a variety of methods to promote our Zhongsheng brand image, our 4S dealerships and the products and services we offer through our “one-stop automobile shop” business model to our customers.

Our marketing campaigns are organized at two levels, our headquarters in Dalian City and each of our 4S dealerships. Our headquarters is responsible for coordinating regional marketing campaigns, and supervises the local marketing campaigns conducted by each of our 4S dealerships. We advertise through outdoor advertisements, distributions of marketing materials at our 4S dealerships, radio commercials and Internet advertisements.

Through regular training, our automobile sales personnel have developed in-depth knowledge of the latest market trends and models and strong communication skills.

Our advertisement and promotion expenses were approximately RMB561.0 million, RMB619.5 million and RMB722.8 million for each of the three years ended 31 December 2015, 2016 and 2017.

Customer service

We place a high priority on providing our customers with consistent, high-quality customer service and support. Our corporate motto is “Zhongsheng — Lifetime Partner”, and it is central to our corporate culture. We believe that providing high-quality service to each of our customers is the key to building long-lasting customer relationships, and to attracting new customers for each of the businesses offered through our “one-stop automobile shop” business model. In line with this core principle, we provide systematic training courses to our customer-facing employees such as our sales personnel to achieve high customer satisfaction rankings.

Customer relationship management

We have adopted a customer relationship management system through our centralized ERP system which stores our customers information. Such system enables us to facilitate our interaction with and services to our customers. In addition, we assign customer relationship managers to our customers. We provide our customer relationship managers access to our database of customer

records which tracks his or her consumption patterns and preferences for our products and services so that our customer relationship managers may understand their needs better and tailor a customized service strategy for each individual customer.

24-hour hotline and roadside assistance

We provide a 24-hour hotline to answer customer enquiries. We also provide 24-hour roadside assistance services to our customers, including automobile towing service.

Other initiatives

We organize other initiatives for our customers, including seminars such as basic repair and maintenance workshops, and social events including musical concerts and sporting events. We invite our customers to the launch of new models of automobiles. As a result of our customer-focused philosophy, our Group ranked the third, second and second among the Top 100 Automobile Dealers in China published by CADA for 2015, 2016 and 2017, respectively, and ranked first in terms of comprehensive profitability for 2016 and 2017. In 2017, we were once again selected as one of the Fortune China 500, an international authoritative ranking, and ranked 90th on the list. In addition, we were granted the “2016 Most Influential Brand in China’s Automobile Dealer Industry” and the “2016 China’s Automobile Dealer Industry Outstanding Contribution Award” by the CADA.

Customers

Due to the retail nature of our business, we do not have one single major customer and cannot readily identify our top five customers. As such, we believe that our top five customers each accounted for less than 1% of our total revenue during the three years ended 31 December 2015, 2016 and 2017. Our target customers are consumers residing in China’s rapidly developing cities, who are likely to purchase luxury or mid-to-high end brand automobiles and who we expect to have a high automobile usage.

Information Technology

Most of our dealerships are required to use the designated information technology systems developed and provided by various automobile manufacturers, which apply to all dealerships authorised by the same automobile manufacturer. We have developed a centralized ERP system to control our business operations, manage our customer relationships and improve efficiency in procurement, sales, inventory management, financial management and other administrative functions. We also use our information technology systems to identify fast and slow-selling automobile models or spare parts, accessories or other automobile-related products, analyse the sales trends of different products in different regions based on the historical data of purchase orders and sales data, and improve the mix of products and services offered at each of our 4S dealerships. Our efficient information technology systems have guided our business decision making, significantly improved our ordering, inventory and logistics management as well as financial and cash management, and helped us minimize the costs of maintaining inventory and improve our overall sales performance. We will continue to upgrade our information technology systems on an ongoing basis as necessary.

Employees

Employees

Our success is closely linked to the implementation of our growth strategies by our experienced, dedicated and innovative employees. We are committed to recruiting, training and retaining adequately skilled and experienced people throughout our operations to serve our customers better. We intend to do so through offering attractive remuneration packages, including discretionary bonuses and our Share Option Scheme, as well as by placing an emphasis on employee training and career development.

As at 31 December 2017, the Group had a total of 25,577 employees, all of which were full-time employees. We are required under PRC laws and regulations to make mandatory contributions to various employee benefit plans that are organised by the government, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund for those employees who are eligible for these benefits. We consider that we have sound relations with our employees. We have not experienced any strikes, work stoppages or significant labour disputes and we have not experienced any significant difficulties in recruiting or retaining qualified staff during the three years ended 31 December 2015, 2016 and 2017.

Remuneration

We provide competitive compensation packages and benefits and offer attractive promotion opportunities to retain our key employees and attract talented individuals. We review the performance of our employees on a regular basis. The results of these reviews are used for salary and promotion appraisals. Our key employees are considered for annual incentive payments based on various performance criteria and their assessment results. Our sales personnel are considered for bonuses based on various performance criteria, including whether their individual sales target has been met and customer feedback on the quality of their service. We review our staff remuneration packages from time to time. Moreover, our rapid business growth has enabled us to offer our employees plenty of room for growth and promotion opportunities. As our 4S dealership network expands, more talented employees are able to step into management positions at new 4S dealerships.

Training

Our employees are critical to our success. We have invested, and intend to continue to invest substantially in our employees in order to recruit, assimilate and retain the best personnel for our business. We will also regularly review and improve the training programs for our trainee managers and sales personnel, as well as maintain and deepen our relationships with the automobile manufacturers and local educational institutions in order to ensure our continued access to highly-skilled automotive engineers and technicians.

We have a deep bench of high-calibre store managers. We have devised and successfully implemented an in-house program to train and develop our store managers, who are crucial to the success of our 4S dealerships. Many of our store managers have completed a training program at our

best-performing 4S dealerships. We also rotate each trainee manager to different positions in a 4S dealership, including deputy-store manager, sales director, service director and finance director, to ensure that our store managers are familiar with all operational aspects of a 4S dealership.

We provide systematic training courses to our customer-facing employees such as our sales personnel, and motivate our employees by granting bonuses and awards to encourage our 4S dealerships to achieve high customer satisfaction rankings.

We work together with the automobile manufacturers and local educational institutions to train automotive engineers and technicians. For instance, we draw engineering talent from Toyota's numerous automotive training schools in China. We have also participated in a joint initiative with Dalian Vocational Technical College, where we provide financial support and assist with the curriculum design for automotive engineering classes. We are a preferred recruiter at Dalian Vocational Technical College, and it has been a vital and reliable source of technical personnel for our repair, maintenance and detailing business.

We are also able to achieve a high rate of retention for our employees in the face of intense competition for human resources, as our corporate policy is to promote capable personnel from within the Group's operations, thus motivating our employees. Further, our large scale of operations enables us to offer our employees a variety of opportunities to work with different automobile brands in several regions in China, as well as several other incentives and competitive remuneration packages.

Safety

The Group's dedicated safety council, led by three of the Group's Executive Directors, analyses, directs and coordinates safety procedures and plans in the short, medium and long-term, for our entire Group. Each of our subsidiaries has established a safety committee and appointed safety representatives or supervisors to report to the safety council, which meets four times a year.

The Group's safety inquiry commission, also led by three of the Group's Executive Directors, conducts bi-annual surveys of the Group's operations to identify potential safety or occupational hazards.

The Group's emergency incident commission is responsible for directing rescue operations in the event of an accident. The emergency incident commission is also in charge of providing detailed reports and recommendations for improvement.

We have also issued detailed safety regulations which emphasize the importance of safety education and training for all employees, and strict compliance with applicable PRC safety laws, rules, regulations and standards. Our safety regulations provide guidance on a variety of matters, and authorize the suspension of operations in the event of a serious incident. Our 4S dealerships are in compliance with applicable safety laws and regulations, and the Group has not experienced any material safety accidents at our 4S dealership during the three years ended 31 December 2015, 2016 and 2017.

Competition

The PRC automobile dealership industry is highly fragmented and competitive. In addition, with China's accession to the World Trade Organization in November 2001, it has become easier for foreign entities to enter and compete in the PRC automobile dealership industry. The Group was ranked the third, second and second among the Top 100 Automobile Dealers in China published by CADA for 2015, 2016 and 2017, respectively. In view of the increasing number of dealerships, we expect that the competition we face will be increasingly intense. We compete against other dealership groups primarily on the following bases: dealership authorisation rights, store locations, capital, service, customers, after-sales services offered and human capital. We also compete with independent repair shops and auto parts retail centres in after-sales services and spare part sales. Our dealership business is also affected by competition among the automobile manufacturers and their brands in terms of quality, design and price.

We expect the increasingly competitive nature of the PRC automobile dealership industry to present acquisition opportunities as, among other factors, intensive capital requirements deter new entrants and force out weaker players. As a leading national automobile dealership group in the PRC with a well-established track record of acquiring 4S dealerships and quickly and significantly improving the performance of such acquired 4S dealerships, we believe we are well-positioned to take advantage of such opportunities to expand our business and consolidate our leadership position further.

Intellectual Property Rights

Under a typical dealership agreement, we are entitled to use an automobile manufacturer's trade names, trademarks and other branding material in our promotional activities provided it is in a manner consistent with the standards set by the automobile manufacturer. We have also obtained our trademark registration of "Zhongsheng" (中升) for carrying out our business. As of 31 December 2017, we had no material patents. In order to defend our intellectual property rights and the intellectual rights that we are licensed to use, we monitor whether there is any infringement of our brand by regularly conducting internet searches, including searches of the websites of the administration and industry commerce authorities.

Insurance coverage

We carry insurance covering risks including loss and theft of, and damage to, property (such as our fixed assets and inventories in all of our 4S dealerships). We believe that our insurance coverage is adequate for our operations and as at the date of this Offering Circular, we had not made nor been the subject of any material insurance claims. For more information, please see "Risk Factors — Risks relating to our business — Our insurance coverage may be inadequate to protect us from all potential losses".

Legal proceedings and regulatory compliance

To the best of the knowledge of our Directors, there are no current litigation or arbitration proceedings or any pending or threatened litigation or arbitration proceedings against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations. However, we may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Our PRC legal advisers, Jingtian & Gongcheng, has advised us that, from 2015 to 2017, we have obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in China.

DIRECTORS AND MANAGEMENT

Board of Directors

The board of directors of the Issuer at the date of this Offering Circular comprises of:

<u>Name</u>	<u>Title</u>
HUANG Yi	Chairman and Executive Director
LI Guoqiang	President, Executive Director and Chief Executive Officer
DU Qingshan	Executive Director
YU Guangming	Executive Director
SI Wei	Executive Director
ZHANG Zhicheng	Executive Director
PANG Yiu Kai	Non-executive Director
CHEAH Kim Teck	Non-executive Director
SHEN Jinjun	Independent Non-executive Director
LIN Yong	Independent Non-executive Director
Shoichi OTA	Independent Non-executive Director
YING Wei	Independent Non-executive Director

Executive Directors

HUANG Yi (黃毅), aged 55, is our Chairman and Executive Director. Mr. Huang is one of the two founders, and has been Chairman of the Group since its inception in 1998. Mr. Huang has been serving as an Executive Director since 23 June 2008 and he is also a director of the various companies in the Group. Mr. Huang is responsible for the strategic management of the Group and for formulating our overall corporate direction and focus. Prior to founding the Group, Mr. Huang was a director and deputy general manager at China Resources Machinery Co., Ltd. (“**China Resources Machinery**”), a state-owned enterprise engaged in importing and exporting automobiles and other machinery. Mr. Huang held numerous management positions in business administration, product procurement and sales operations in China Resources Machinery during his tenure between 1984 and 1994. In 1994, Mr. Huang joined China Automobile Company Limited (“**China Automobile**”) as a director, and was responsible for China Automobile’s procurement and sales divisions. In 1996, Mr. Huang invested in, and became a shareholder of, China Automobile. China Automobile, currently known as Hokuryo Holdings Company Limited, is presently an indirect wholly-owned subsidiary of the Group. Mr. Huang has served as the president of the second session of Mercedes-Benz Dealer

Council since November 2014, the president of the third and fourth session of Lexus China Dealer Council since 2013, as well as the president of the Advisory Council of GZ Toyota since 2012. Mr. Huang has substantial senior management experience and more than 30 years' of experience and in-depth knowledge of the PRC automobile industry. He received a Bachelor's degree in Economics from Xiamen University in 1983 and was awarded the title of "Economist" by MOFCOM in 1990, a work-related qualification title usually awarded to the government officials or managerial staff in state-owned enterprises by the government in recognition of their relevant working experiences. Mr. Huang also served on a pro bono basis as a director of Pok Oi Hospital, a charitable organization providing medical and educational services in the New Territories in Hong Kong, between 1997 and 1999.

LI Guoqiang (李國強), aged 54, is the other founder of the Group, and has been serving as the Group's Chief Executive Officer and President since 1998 and as an Executive Director since 23 June 2008. He is also a director of the various companies in the Group. Mr. Li is responsible for the overall management and operations of the Group. Mr. Li has served as deputy chairman for the CADA since December 2009. In 1995, Mr. Li founded Dalian Aotong Automobile Repair & Assembly Factory ("**Aotong Repair & Assembly**"), a company engaged in automobile repair and maintenance services. Mr. Li served as the factory director and legal representative of Aotong Repair & Assembly, and he was responsible for its overall management and operations. From 1996 to 1998, Mr. Li served as the vice chairman of Dalian Toyota Maintenance & Service Co., Ltd. and general manager of Dalian Bonded Zone Toyota Automobile Sales Co., Ltd., and was responsible for the decisions of procurement and sales of automobiles as well as the management of the national distribution networks during his tenure. In 1998, Mr. Li founded Dalian Aotong Industry Co., Ltd. ("**Aotong Industry**"), a company engaged in distribution of automobiles. Aotong Industry is the predecessor of Zhongsheng (Dalian) Group Co., Ltd., which is presently an indirect wholly-owned subsidiary of the Group. Mr. Li has substantial senior management experience and more than 28 years' experience and in-depth knowledge of the PRC automobile industry. Mr. Li also received a Distinguished Lexus Dealer award in 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

DU Qingshan (杜青山), aged 55, has been serving as Deputy General Manager of the Group since 2007. Mr. Du has been an Executive Director since 23 June 2008. He is responsible for the financial planning, strategy and management of the Group, and oversees all the financial matters of the Group. Prior to joining the Group in 2007, Mr. Du was appointed by the State-owned Assets Supervision and Administration Commission of Dalian Municipal Government to serve as the chief financial officer of a large-scale state-owned enterprise, Dalian DHI.DCW Group Co., Ltd. ("**Dalian DHI.DCW**") and was in charge of the general financial and accounting affairs of Dalian DHI.DCW. Mr. Du was primarily responsible for the financial operations of Dalian DHI. DCW, which contributed to his over 28 years' experience in the areas of accountancy and finance. Mr. Du received a Bachelor's degree in Economics from the Shanghai University of Finance and Economics in 1986 and a master's degree in Business Administration from Dongbei University of Finance and Economics in 2002.

YU Guangming (俞光明), aged 60, has been serving as Deputy General Manager of the Group since 2004. Mr. Yu has been an Executive Director since 23 June 2008. He is responsible for the strategic business development of the Group as well as selecting and training middle-to-senior level managers of 4S dealerships of the Group. Since joining the Group in 2000, Mr. Yu has held numerous management positions in several of our principal subsidiaries, including Zhongsheng (Dalian) Group Co., Ltd., Dalian Aotong Dongfeng Honda Automobile Sales & Services Co., Ltd., Shanghai Guoxin Automobile Sales Co., Ltd. and Shanghai Zhongsheng Toyota Automobile Sales & Services Co., Ltd.,

primarily in charge of setting up, overseeing and improving the management teams of our subsidiaries, implementing the strategic decisions of the Group and liaising with the automakers and customers regarding business relationship building. Prior to joining the Group, Mr. Yu served as a manager of Shanghai Material Office of the PRC Ministry of Railways from 1975 to 1994, and he was primarily responsible for the management of its business operations. From 1994 to 2000, Mr. Yu served as a deputy managing director of Hong Kong Union Park Company Limited, a Hong Kong subsidiary of China Railway Materials Commercial Corporation, a large-scale PRC state-owned enterprise, where he was in charge of its overall management and operations during his tenure. Mr. Yu has more than 18 years' relevant experience in the PRC automobile industry. Mr. Yu received a graduation certificate in respect of an associate degree in English from Shanghai International Studies University in 1985.

SI Wei (司衛), aged 55, has been an Executive Director since 20 August 2012. Mr. Si joined the Group in June 2012 and since then has been responsible for the strategic development of the Group. Mr. Si has approximately 26 years' experience in the automobile industry. Mr. Si commenced his industry experience by working for automobile dealers from 1992 to 1999, during which period he was exposed to an array of automobile brands including Mitsubishi and Saab. In 1999, he joined the Audi Motor Department of Volkswagen (China) Investment Company Limited, where he was a sales manager responsible for sales of imported Audi automobiles and management and development of dealership network about imported Audi automobiles. From 2004 to 2006, Mr. Si was a sales director of Volkswagen (Finance) China Company Limited responsible for sales and dealership relationship. From 2006 to 2007, Mr. Si acted as the director of the Iveco Business Department for Fiat's representative office in China and took responsibilities for business development matters. Subsequently Mr. Si commenced his employment with Beijing Benz Automobile Co., Ltd. in 2007 where he was initially the general manager of dealership network development department, responsible for dealership network management and development. In 2008, Mr. Si assumed the office of vice executive president of Beijing Benz Automobile Co., Ltd. in charge of sales and marketing activities. Mr. Si received a Bachelor's degree in English and American literature from Beijing Normal College in 1987.

ZHANG Zhicheng (張志誠), aged 45, has been serving as Vice-president of the Group since July 2008 and Executive Director since 31 March 2014. Mr. Zhang joined the Group in 2003, and has held numerous management positions in several of our key operating subsidiaries, including Fuzhou Zhongsheng Toyota Automobile Sales Co., Ltd., Dalian Zhongsheng Lexus Automobile Sales & Services Co., Ltd. and Dalian Zhongsheng Toyota Automobile Sales & Services Co., Ltd., primarily responsible for implementing the strategic decisions of the Group and liaising with the automakers regarding developing our brand automobile sales business. Mr. Zhang currently oversees the sales and management of our brand automobile sales business. Mr. Zhang has over 15 years' relevant experience and in-depth expertise in the China's automobile industry. Mr. Zhang received a Master's degree in Business Administration from Dongbei University of Finance and Economics in 2003. Mr. Zhang also received Peak Performance General Manager awards in both 2006 and 2007 from Toyota Motor (China) Investment Co., Ltd., as part of the Lexus Certification Program.

Non-executive Directors

PANG Yiu Kai (彭耀佳) GBS, JP, aged 57, has served as a Non-executive Director since 22 August 2016. He is the deputy managing director of Jardine Matheson Holdings Limited. He is also deputy chairman of Jardine Matheson Limited, chairman of Jardine Pacific, chairman and chief executive of Jardine Motors, and a director of Jardine Matheson (China) Limited. Mr. Pang joined the Jardine Matheson Group in Hong Kong in 1984, where he first worked in a variety of positions in the trading, marketing and retail sectors of the group. He was appointed director of Jardine Pacific in 1995 with responsibility for the company's restaurants businesses, and in 1999 he moved to Jardine Motors as chief executive officer of Zung Fu before becoming executive chairman in 2003. Prior to taking up his current role, he was appointed in 2007 as chief executive of a listed-subsi-diary of Jardine Matheson Group, Hongkong Land Holding Limited, a property investment, management and development group.

Mr. Pang is a director of Dairy Farm International Holdings Limited (stock code: DFI), Hongkong Land Holdings Limited (stock code: HKLD), Jardine Matheson Holdings Limited (stock code: JAR), Jardine Strategic Holdings Limited (stock code: JDS) and Mandarin Oriental International Limited (stock code: MDO), each of which has a standard listing on the London Stock Exchange as primary listing, with secondary listings in Bermuda and Singapore. Mr. Pang is also a director of Yonghui Superstores Co., Ltd. (stock code: 601933), a company listed on the Shanghai Stock Exchange.

In addition to his business pursuits, Mr. Pang plays an active role in the business community and in public service in Hong Kong. In 2016 and 2008, he was awarded the Gold Bauhinia Star and the Silver Bauhinia Star, respectively, by the HKSAR Government. He was appointed a Justice of the Peace in 2001. He was chosen as one of Ten Outstanding Young Persons of Hong Kong in 1999. He is vice patron of the Community Chest of Hong Kong. He is also a member of the council and general committee of the Hong Kong General Chamber of Commerce and the chairman of the general committee of the Employers' Federation of Hong Kong. He is also the chairman of the HKSAR Government Advisory Committee on Gifted Education and HKSAR Government Standing Committee on Directorate Salaries and Conditions of Service and a member of HKSAR Government Trade and Industry Advisory Board. He is the chairman of the hospital governing Committee of Queen Mary Hospital and Tsan Yuk Hospital. He is also a member of the Steering committee on the Hong Kong Scholarship for Excellence Scheme and a member of the executive committee and council of the Hong Kong Management Association.

Mr. Pang was born in Hong Kong and graduated from the University of Nottingham with a Bachelor of Science Degree in Civil Engineering and a Master of Business Administration Degree from the University of Edinburgh in the United Kingdom. He completed the Program for Global Leadership at Harvard Business School in 1998. In July 2016, he was conferred an Honorary Doctorate degree by the University of Edinburgh.

CHEAH Kim Teck (謝金德), aged 66, has been serving as a Non-executive Director since 12 June 2017. Mr. Cheah has been serving as the managing director, business development of Jardine Cycle & Carriage Limited ("JC&C") (a company listed on the Singapore Exchange, stock code: C07) since 2014 and is responsible for developing new lines of business in the region. He was formerly the chief executive officer of the group motor operations department of JC&C between 2004 and 2013. From June 2005 to March 2017, Mr. Cheah served as an independent director of Mapletree Logistics Trust

Management Ltd. (a company listed on the Singapore Exchange, stock code: M44U). Prior to joining JC&C, Mr. Cheah held senior executive positions in various multinational companies, namely DaimlerChrysler Singapore Pte Ltd, Artal Food (SEA) Pte Ltd, McDonald's Restaurant Pte Ltd, Kentucky Fried Chicken Corporation and Coca-Cola Export Corporation. Mr. Cheah is also the chairman of Seletar Country Club and an independent director of Singapore Pools (Private) Ltd. Mr. Cheah holds a master's degree in Marketing from the University of Lancaster, United Kingdom.

Independent Non-executive Directors

SHEN Jinjun (沈進軍), aged 60, has been serving as an Independent Non-executive Director since 16 November 2009. Mr. Shen has become an independent non-executive director of Wuchan Zongda Group Co., Ltd. (Stock code: 600704), a company listed on the Shanghai Stock Exchange, since August 2011, an independent non-executive director of China Grand Automotive Services Co., Ltd. (Stock code: 600297), a company listed on the Shanghai Stock Exchange, since July 2015 and an independent non-executive director of Beijing Changjiu Logistics Corp. (Stock code: 603569), a company listed on the Shanghai Stock Exchange, since August 2016. Mr. Shen has served as deputy chairman and secretary chief for the China Automobile Dealers Association since 2005 and has served as the chairman for CADA since 5 November 2014. Mr. Shen has also worked as the deputy chief of the Transport and Mechanical Section of Mechanical and Electrical Equipment Division of the State Administration of Supplies, chief of Automobile Section of Mechanical and Electrical Equipment Circulation Division of Ministry of Internal Trade and the chief of the Electrical, Mechanical and Metallic section of Production Circulation Division of the State Administration of Domestic Commerce. During that time, Mr. Shen was mainly responsible for administering the automobile dealing industry and participated in the formulation of related regulations. Mr. Shen completed all the related courses of an associate degree majoring in electronics at the Beijing Open University in 1982 and obtained a graduation certificate.

LIN Yong (林湧), aged 48, has been serving as an Independent Non-executive Director since 31 March 2014. Mr. Lin has over 22 years of experience in investment bank industry. He joined Haitong Securities Co., Ltd. in 1996 and was a general manager of the Investment Banking Department of Haitong Securities Co., Ltd. from 2001 to 2007 and he has been appointed as an assistant to general manager of Haitong Securities Co., Ltd. with effect from 30 December 2014. He has been the chief executive officer of Haitong International Holdings Limited (formerly known as “**Hai Tong (HK) Financial Holdings Limited**”) since 2007 and is responsible for the overall operation of Haitong International Holdings Limited. He was appointed as an executive director on 23 December 2009 of Haitong International Securities Group Ltd. (stock code: 665) which is a company listed on the Stock Exchange and as the joint managing director of this company on 10 March 2010. He has been a deputy chairman of the board of directors and the managing director of this company as well as the chief executive officer of this group since 29 April 2011. In addition, Mr. Lin is the chairman of the board of directors or a director of various subsidiaries of this company and a responsible officer of Hai Tong Asset Management (HK) Limited, Hai Tong Capital (HK) Limited, Haitong International Asset Management Limited and Haitong International Capital Limited under the Securities and Futures Ordinance. Mr. Lin is one of the first batch of sponsor representatives of China Securities Regulatory Committee. Mr. Lin also served as a member of the advisory committee of the Securities and Futures Commission. In 2006, Mr. Lin was named 2006 Top Ten Outstanding Young Person in Financial Sector in Shanghai (2006年上海首屆十大金融傑出青年) and was honoured as the “the 2014 Shanghai Financial Industry Leader” (2014滬上金融行業領袖) in 2014. He acts as an adjunct

professor in Management College of Xiamen University and is a member of China Finance 40 Forum Executive Council since 12 May 2010. Mr. Lin holds a Doctorate Degree in Economics from Xi'an Jiaotong University.

Shoichi OTA (太田祥一), aged 69, has been an Independent Non-executive Director since 31 August 2015. Mr. Ota has over 45 years' experience in the automobile industry. Mr. Ota joined Toyota Motor Sales Co. Ltd. (later Toyota Motor Corporation) in April 1972. During his tenure in Toyota Motor Corporation, Mr. Ota respectively served as an executive staff of oversea industrial vehicle division from September 1972 to August 1978, an executive staff of Middle East division for territorial vehicle sales from September 1978 to March 1987, a manager of overseas parts division from April 1987 to March 1993 and a project general manager of overseas parts division from April 1993 to December 1997. Subsequently, Mr. Ota served as a director and vice-president of Toyota Motor Asia Pacific, Singapore from January 1998 to December 2001. From January 2002 to May 2005, Mr. Ota served as a managing director of J-TACS Corporation, Japan. Mr. Ota served as a senior managing director of Tacti Corporation, Japan from June 2005 to June 2013. Mr. Ota holds a Bachelor's degree in Economics from Nagoya University.

YING Wei (應偉), aged 51, has served as an Independent Non-executive Director and Chairman of Audit Committee of the Company since 19 December 2016. Mr. Ying served as an executive director and vice-president of China Resources Textiles (Holdings) Company Limited from 1989 to 2007. Mr. Ying served as a vice-president of China Water Affairs Group Limited (a company listed on the Stock Exchange, stock code: 855) from 2007 to 2009, an executive director and president of China Botanic Development Holdings Limited (renamed as China City Infrastructure Group Limited) (a company listed on the Stock Exchange, stock code: 2349) from 21 July 2008 to 30 July 2009 and an independent non-executive director of China Public Procurement Limited (a company listed on the Stock Exchange, stock code: 1094) from 28 December 2012 to 24 March 2014. Currently, Mr. Ying is a director of Giant Network Group Co., Ltd (formerly Chongqing New Century Cruise Co., Ltd.) (a company listed on the Shenzhen Stock Exchange, stock code: 2558), an independent non-executive director of CHTC Fong's Industries Company Limited (a company listed on the Stock Exchange, stock code: 641) and Fountain Set (Holdings) Limited (a company listed on the Stock Exchange, stock code: 420). Mr. Ying is also a non-executive director of New Focus Auto Tech Holdings Limited (a company listed on the Stock Exchange, stock code: 360) and China Health Group Limited (a company listed on the Stock Exchange, stock code: 673). Mr. Ying is also a managing partner of CDH Shanghai Dinghui Bai Fu Wealth Management Co., Ltd. Mr. Ying is a non-practicing member of The Chinese Institute of Certified Public Accountants and holds a master's degree in Business Administration from the University of San Francisco and a bachelor's degree in Economics from Zhejiang Gongshang University (formerly Hangzhou College of Commerce).

Other Senior Management

FANG Jinjiang (方錦江), aged 51, joined the Group in April 2012 and currently serves as vice-president of the Group. Mr. Fang is primarily responsible for dealership network development. Mr. Fang worked as the general manager of dealership network development and management department of Beijing Benz Automotive Co., Ltd. from April 2008 to March 2012. Mr. Fang worked in Volkswagen Finance (China) Co., Ltd. from December 2004 to March 2008, and served successively as a sales manager and director of sales division. Mr. Fang served as sales manager of Volkswagen (China) Investment Co., Ltd. from July 2003 to November 2004 in Sales Department of Imported Audi. Mr. Fang worked in FAW — Volkswagen Sales Co., Ltd. from January 1998 to June 2003, and

served successively as a consultant in market research and training, network planning manager of regional management department from Germany party and training manager of sales department from Germany party. Mr. Fang worked in the sales & marketing department of Volkswagen Asia Pacific Co., Ltd. (Hong Kong) from August 1996 to December 1997. Mr. Fang received a diploma in automobile market from Canadian Automotive Institute in April 1995 and a Bachelor's degree in automobile market from University of Northwood in April 1996.

TANG Xianfeng (唐憲峰), aged 48, joined the Group in January 2014 and currently serves as vice-president of the Group, primary responsible for construction and development. Prior to joining the Group, Mr. Tang served as the vice-president of Dalian Huarui Heavy Industry Group Co., Ltd. from January 2012 to December 2013. In addition, Mr. Tang also served as a designer in the research institute, office vice-director, assistant to the head of reducer factory, vice-director of labour and personnel department and head of port machinery factory of Dalian Daqi Group from 1999 to 2003. Mr. Tang joined Dalian DHI. DCW Group Co., Ltd. in June 2003 and served as the executive vice-head and head of Second Business Division, assistant to the general manager and vice-general manager of the Group. Mr. Tang obtained a Bachelor's degree in lifting transportation and mechanical engineering from Taiyuan Heavy Machinery Institute in 1991 and obtained a Master's degree in mechanical engineering Wuhan University of Technology in 2006. Mr. Tang obtained the senior professional manager qualification and was qualified as professor and researcher level senior engineer.

Company Secretaries

KAM Mei Ha Wendy (甘美霞), aged 50, was appointed as Joint Company Secretary of the Company on 1 July 2010. She is a director of Corporate Services Division of Tricor Services Limited and a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Kam has over 26 years of experience in corporate secretarial area.

MAK Sze Man (麥詩敏), aged 43, was appointed as Joint Company Secretary of the Company on 1 July 2010. She is a senior manager of Corporate Services Division of Tricor Services Limited and an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. Ms. Mak has over 21 years of experience in corporate secretarial area.

DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHARE OPTIONS

Directors and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As of the date of this Offering Circular, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our associated corporations (within the meaning of Part XV of the SFO, which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Company's Shares

<u>Name of Director</u>	<u>Capacity/Nature of interest</u>	<u>Total number of Ordinary Shares</u>	<u>Approximate percentage of shareholding (%)</u>
Mr. Huang Yi	Interest of controlled company	334,704,504 (Long position)	14.76
	Founder of a discretionary trust	486,657,686 (Long position)	21.47
	Agreement to acquire interests	486,657,686 (Long position)	21.47
Mr. Li Guoqiang	Interest of controlled company	182,026,000 (Long position)	8.03
	Founder of a discretionary trust	486,657,686 (Long position)	21.47
	Agreement to acquire interests	639,336,190 (Long position)	28.20
Mr. Du Qingshan	Beneficial owner	5,500,000 (Long position) <i>(Note 1)</i>	0.24
Mr. Zhang Zhicheng	Beneficial owner	5,500,000 (Long position) <i>(Note 1)</i>	0.24

Note 1: On 26 April 2018, the Company offered to grant share options to Mr. Du and Mr. Zhang under the share option scheme adopted by the Company on 9 February 2010, subject to acceptance by Mr. Du and Mr. Zhang, which will entitle them to subscribe for an aggregate of 11,000,000 new ordinary shares of HK\$0.0001 each in the capital of the Company, representing approximately 0.49% of the issued share capital of the Company as at 26 April 2018.

Save as disclosed above, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as of the date of this Offering Circular.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2017, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Shares and Underlying Shares of the Company

<u>Name of Shareholder</u>	<u>Capacity/Nature of interest</u>	<u>Total number of Ordinary Shares</u>	<u>Approximate percentage of shareholding (%)</u>
Blue Natural Development Ltd. (Note 1)	Beneficial owner and agreement to acquire interests	1,308,019,876 (Long position)	57.70
Light Yield Ltd. (Note 2)	Beneficial owner, interest of controlled company and agreement to acquire interests	1,308,019,876 (Long position)	57.70
Vest Sun Ltd. (Note 3)	Interest of controlled company and agreement to acquire interests	1,308,019,876 (Long position)	57.70
Mountain Bright Limited (Note 4)	Beneficial owner and agreement to acquire interests	1,308,019,876 (Long position)	57.70
UBS TC (Jersey) Ltd	Trustee, interest of controlled company and agreement to acquire interests	1,308,019,876 (Long position)	57.70
Vintage Star Limited (Note 5)	Beneficial owner and agreement to acquire interests	1,308,019,876 (Long position)	57.70
Jardine Strategic Holdings Limited	Interest of controlled company	453,412,844 (Long position)	20.00
Jardine Matheson Holdings Limited	Interest of controlled company	453,412,844 (Long position)	20.00
JSH Investment Holdings Limited	Beneficial owner	453,412,844 (Long position)	20.00

Notes:

- (1) Blue Natural Development Ltd. is owned by Light Yield Ltd. (62.3%) and Vest Sun Ltd. (37.7%). Mr. Huang Yi and Mr. Li Guoqiang are directors of Blue Natural Development Ltd.
- (2) Light Yield Ltd. is wholly-owned by Mr. Huang Yi, who is also the sole director of Light Yield Ltd.
- (3) Vest Sun Ltd. is wholly-owned by Mr. Li Guoqiang, who is also the sole director of Vest Sun Ltd.
- (4) Mountain Bright Limited is wholly owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Huang Yi (the settler of the trust) and his family.
- (5) Vintage Star Limited is wholly owned by UBS TC (Jersey) Ltd. as trustee of a trust settlement for Mr. Li Guoqiang (the settler of the trust) and his family.

Save as disclosed above, as at 31 December 2017, the Directors and the chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Option Scheme

The Share Option Scheme was conditionally approved by a resolution of the shareholders on 9 February 2010 and adopted by a resolution of the Board on the same day. Unless it is terminated by the Board or our shareholders in general meeting in accordance with the terms of the Share Option Scheme, the Share Option Scheme shall be valid and effective for a period of ten years on the date which it becomes unconditional. After the period, no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to exercise any subsisting options granted prior to the expiry of this ten year period or otherwise as handled in accordance with the provisions of the Share Option Scheme. The amount payable by a participant upon of a grant of option is HK\$1.00. The last day for accepting and paying for the consideration of the option shall be determined by the Board and shall be set out on the offer letter for granting such option. The period during which a granted option may be exercised in accordance with the terms of the Share Option Scheme shall be the period of time to be notified by the Board to each grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the offer date.

The Board may, at its absolute discretion, offer any employee, management member or Directors of the Company, or any of our subsidiaries and third party service providers the options to subscribe for shares on the terms set out in the Share Option Scheme. The purpose of the Share Option Scheme is to attract and retain skilled and experienced personnel, to incentivize them to remain with us and to give effect to our customer-focused corporate culture, and to motivate them to strive for our future development and expansion, by providing them with the opportunity to acquire equity interests in the Company.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of the share in issue as at the date of approval of the Share Options Scheme. No option may be granted to any one person such that the total number of

shares issued and to be issued upon the exercise of options granted and to be granted to that person in any 12 months period up to the date of the latest grant exceeds 1% of our issued share capital from time to time, unless the approval of our shareholders is obtained.

The amount payable for each share to be subscribed for under an option upon exercise shall be determined by the Board and notified to a proposed beneficiary at the time of offer of the option and shall be not less than the higher of: (a) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of the Shares. The Share Option Scheme does not contain any minimum period(s) for which an option must be held before it can be exercised. However, at the time of grant of the options, the Company may specify any such minimum period(s).

As at 31 December 2017, no options have been granted, exercised, cancelled or lapsed pursuant to the Share Option Scheme. As at 31 December 2017, the total number of shares available for issue under the Share Option Scheme remained to be 155,999,280, representing approximately 6.88% of the issued share capital of the Company. As at 20 April 2017, the date of our 2017 Annual Report, the remaining life of the Share Option Scheme is approximately one year and nine months.

On 26 April 2018, the Company offered to grant share options to two eligible Directors under the share option scheme adopted by the Company on 9 February 2010, subject to acceptance by such Directors, which will entitle such Directors to subscribe for an aggregated of 11,000,000 new ordinary shares of HK\$0.0001 each in the capital of the Company, representing approximately 0.49% of the issued share capital of the Company as at 26 April 2018.

DESCRIPTION OF THE SHARES

The following is a description of the Shares, including summaries of material relevant provisions of the Company's Memorandum and Articles of Association and the Companies Law. These summaries do not purport to be complete and are qualified in their entirety by reference to the full Memorandum and Articles of Association.

Meetings

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall be called by at least twenty-one (21) clear days' (and not less than twenty (20) clear business days' (for annual general meeting) or not less than ten (10) clear business days' (for extraordinary general meeting passing special resolutions)) notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' and not less than ten (10) clear business days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given or on which it is to take effect). The notice must specify the time and place of the meeting and particulars of resolutions to be considered and, in the case of special business, the general nature of that business. In addition, notice of every general meeting shall be given to all members other than such member as, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the Company's auditors and each of the Directors of the Company for the time being.

Notwithstanding that a meeting is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors whether by rotation or otherwise in place of those retiring;
- (d) the appointment of auditors (where special notice of the intention for such appointment is not required by the Companies Law) and other officers;

- (e) the fixing of the remuneration of the auditors, and the voting of remuneration or extra remuneration to the Directors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Company representing not more than 20% in nominal value of its existing issued share capital; and
- (g) the granting of any mandate or authority to the Directors to repurchase the securities of the Company.

Voting Rights (Generally and On a Poll) and Right to Demand a Poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles of Association, at any general meeting on a poll, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way. A resolution put to the vote of a meeting shall be decided by way of a poll.

If a clearing house (or its nominee(s)) is a member it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting or at any meeting of any class of members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)).

Where the Company has knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles of Association), required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Variation of Rights of Existing Shares or Classes of Shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) from time to time be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at

any adjourned meeting of such holders, two holders present in person or (in the case of a member being a corporation, its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum.

Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

Transfer of Shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles of Association) or in such other form approved by the board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit in its discretion to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Designated Stock Exchange (as defined in the Articles of Association) may determine to be payable or such lesser sum as the board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is in respect of only one class of share and (if applicable) duly and properly stamped and is lodged at the registered office of the Company or such other place

at which the principal register is kept or the registration office accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers of shares or of any class of shares may, after notice has been given by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles of Association) to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the board may determine.

Share Repurchase

Subject to the Companies Law, the Articles of Association and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles of Association) and/or any competent regulatory authority, the Company shall have the power to purchase or otherwise acquire its own shares and such power shall be exercisable by the board in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit and any determination by the board of the manner of purchase shall be deemed authorised by these Articles for purposes of the Companies Law.

Dividends and Other Methods of Distribution

Subject to the Companies Law, in general meeting the Company may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles of Association provide dividends may be declared and paid out of the Company's profits, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the members in general meeting has resolved that a dividend be paid or declared on the Company's share capital, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board

by an ordinary resolution resolve in respect of any one particular dividend that the Company may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the Company's register in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the members in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

Inspection of Corporate Records

The Company's members will have no general right under the Companies Law to inspect or obtain copies of the register of members or the Company's corporate records. They will, however, have such rights as may be set out in the Articles of Association. An exempted company may subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the Directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands. An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which

includes the Hong Kong Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Hong Kong Stock Exchange, the Company is not required to maintain a beneficial ownership register.

Protection of Minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permits a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands (the “**Court**”) may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company’s Memorandum and Articles of Association.

Procedures on Liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the Company’s members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the Company's assets whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

MARKET PRICE INFORMATION

The table below sets forth the closing prices and the daily average trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Average Daily Trading Volume
	End	High	Low	
	(HK\$)			
2015				
First Quarter	5.15	7.79	5.12	1,460,504
Second Quarter	5.45	7.43	5.02	5,599,133
Third Quarter.	3.14	5.38	2.86	3,712,024
Fourth Quarter.	4.69	4.73	3.21	4,369,230
2016				
First Quarter	3.76	4.50	3.43	2,020,710
Second Quarter	4.20	4.29	3.70	1,738,716
Third Quarter.	7.36	8.19	4.19	6,211,233
Fourth Quarter.	6.93	8.20	6.58	2,444,578
2017				
First quarter	11.56	11.98	7.00	4,993,505
Second quarter.	14.56	14.56	10.78	3,543,144
Third quarter	16.92	18.90	14.14	3,276,485
Fourth quarter.	17.84	17.88	15.14	2,489,253
2018				
First quarter	21.45	22.45	17.84	4,481,553
Second quarter from 1 April to 17 May 2018.	24.00	24.60	20.95	5,139,207

Source: Hong Kong Stock Exchange

DIVIDENDS

Subject to the Cayman Islands Companies Law and the Articles of Association, the Company in general meeting may from time to time declare dividends to be paid to shareholders, but no dividend shall be declared in excess of the amount recommended by the Company's board.

The Company's board has absolute discretion in whether to declare any dividend for any year and, if it decides to declare a dividend, the amount. The Company currently intends to pay dividends of no more than 30% of our profits available for distribution each year. However, the determination to pay dividends will be made at the discretion of the Company's board and will be based upon the Company's earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that the Company's Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements. There can be no assurance that dividends of any amount will be declared or distributed in any year.

During the year ended 31 December 2017, a final dividend of HK\$0.30 per share in respect of the year ended 31 December 2016 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the year ended 31 December 2017 amounted to HK\$643,952,000.

A proposed final dividend of HK\$0.36 per share in respect of the year ended 31 December 2017 is subject to the approval by the shareholders in the annual general meeting to be held on 11 June 2018.

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of the Bonds and Shares is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retrospective effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or Shares or any persons acquiring, selling or otherwise dealing in the Bonds or Shares or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds or Shares. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding, converting or selling any Bonds or Shares under the laws of their country of citizenship, residence or domicile.

Cayman Islands

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Cabinet:

- That no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and
- That no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by us:
 - (i) On or with respect to the shares, debentures or our other obligations; or
 - (ii) By way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking is for a period of 20 years from the date of the undertaking, which is 1 July 2008.

As long as the holder of the Bonds is a non-Cayman resident, under the existing Cayman Islands Laws:

- (a) payments of interest and principal on the Bonds will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds, nor will gains derived from the disposal of the Bonds be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax;
- (b) no stamp duty is payable with respect to the issue or transfer of the Bonds unless the Bonds are executed in or brought into the Cayman Islands; and

- (c) the Global Note representing the Bonds, in registered form, to which title is not transferable by delivery, should not be subject Cayman Islands stamp duty unless the Global Note is brought into the Cayman Islands. However, an instrument transferring title to a Note if brought to or executed in the Cayman Islands, would be subject to Cayman Islands stamp duty.

As long as the holder of the Bonds and the Shares issuable upon conversion of the Bonds is not resident of the Cayman Islands and the Company does not hold interests in land in the Cayman Islands, the Cayman Islands currently levies no tax on conversion of the Bonds into Shares, the receipt of any payments from the Company in respect of such Shares or on any gain derived from the disposal or transfer of such Shares, save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

Hong Kong

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal or interest with respect to the Bonds, or upon conversion of the Bonds to Shares, payments in respect of the Shares, or upon disposition of Bonds or Shares.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong with respect to assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Bonds where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Bonds will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- (a) a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (b) a corporation carrying on a trade, profession or business in Hong Kong and where the interest is derived from Hong Kong; or
- (c) a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is with respect to the funds of the trade, profession or business and where the interest is derived from Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue and transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or conversion of the Bonds.

Hong Kong stamp duty is payable on any purchase and sale of Shares for as long as the transfer thereof is required to be registered in Hong Kong. The duty is charged on each of the purchaser and the seller at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5. Where a sale or purchase of Shares registered on a Hong Kong share register is effected by a person who is not resident in Hong Kong and any stamp duty payable thereon is not paid, the relevant instrument of transfer (if any) is chargeable with such duty in default and the transferee is liable to pay such duty.

People's Republic of China

Under the EIT Law and the Implementation Rules both of which took effect on 1 January 2008, enterprises established outside the PRC whose “de facto management bodies” are located in China are considered as “PRC tax resident enterprises”. The Implementation Rules define the term “de facto management body” as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The Company holds its shareholders’ meeting and board meetings outside China and keeps its shareholders’ list outside China. However, most of the Company’s Directors and senior management are currently based inside China and the Company keeps its books of account inside China. The above elements may be relevant for the tax authorities to determine whether it is a PRC resident enterprise for tax purposes. Although it is unclear under PRC tax law whether the Company has a “de facto management body” located in China for PRC tax purposes, it intends to take the position that it is not PRC resident enterprise for tax purpose. The Company cannot assure you that tax authorities will respect its position. The Company’s PRC counsel, Jingtian & Gongcheng, has advised the Company that if it is deemed to be a PRC resident enterprise for enterprise income purpose, among other things, the Company would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. Furthermore, the Company would be obligated to withhold PRC income tax of 7% on payments of interest on the Bonds and any dividends paid in respect of Shares to qualified investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest or dividends to other investors, because the interest or dividends would be regarded as being derived from sources within the PRC. Such tax on interest or dividend payments to non-resident individual holders would be withheld at 20%. If the Company fails to do so, it may be subject to fines and other penalties. In addition, any gain realized by such non-resident enterprise investors from the transfer of the Bonds or Shares would be regarded as being derived from sources within the PRC and accordingly would be subject to PRC income tax at a rate of 10% and 20% in the case of non-resident individuals. However, if the Company is not considered as a PRC resident enterprise for enterprise income purposes, non-

resident enterprise investors would not be subject to PRC income tax on any interest received on the Bonds or dividends received in respect of Shares or any gains realized from the transfer of the Bonds or Shares. No tax will be levied in the PRC on the conversion of the Bonds to Shares.

SUBSCRIPTION AND SALE

The Company has entered into a subscription agreement with the Sole Lead Manager dated 3 May 2018 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Company has agreed to sell to the Sole Lead Manager, and the Sole Lead Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Company has agreed to indemnify the Sole Lead Manager against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Sole Lead Manager are subject to certain conditions precedent, and entitles the Sole Lead Manager to terminate the Subscription Agreement in certain circumstances at any time up to the time when subscription moneys have been received and the Bonds issued.

The Sole Lead Manager and certain of its affiliates have, from time to time, performed, and may in the future perform, certain investment banking and advisory services for the Company and/or its affiliates for which they have received or will receive customary fees and expenses. The Sole Lead Manager and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Sole Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Company.

The Sole Lead Manager or its affiliates may purchase the Bonds for their own account and enter into transactions, including (i) credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities or (ii) equity derivatives and stock loan transactions relating to the Shares of the Company or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). The Sole Lead Manager and certain of its subsidiaries or affiliates have performed certain commercial banking, investment banking and advisory services for the Company or the Group from time to time for which they have received customary fees and expenses. In addition to the transactions services for the Company or the Group, the Sole Lead Manager may, from time to time, engage in other transactions with and perform services for the Company or the Group in the ordinary course of business of the Company or the Group. In addition the Sole Lead Manager and certain of its subsidiaries and affiliates may hold Shares as beneficial owners, on behalf of clients or in the capacity of investment advisors.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own

legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

GENERAL

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer or the Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer or the Managers, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer or the Managers.

United States

The Bonds and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Sole Lead Manager has represented, warranted and agreed that neither it nor its affiliates nor anyone acting on its or their behalf has offered or sold, or will offer or sell, any Bonds except outside the United States in accordance with Rule 903 of Regulation S or pursuant to another exemption from registration. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf has engaged or will engage in any “directed selling efforts” with respect to the issuance of the Bonds.

Terms used in this paragraph have the meaning given to them by Regulation S. The Sole Lead Manager has represented, warranted and agreed that it has not entered and has agreed that it will not enter into any contractual arrangement with any distributor (as that term is defined in Regulation S) with respect to the distribution or delivery of the Bonds, except with its affiliates or with the prior written consent of the Issuer.

United Kingdom

The Sole Lead Manager has represented, warranted and agreed that:

- (1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

European Economic Area

The Sole Lead Manager has represented, warranted and undertaken that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the EEA. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

The Sole Lead Manager has represented, warranted and undertaken that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (“SFO”) and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong (or only to “professional investors” as defined in the SFO and any rules made under that Ordinance).

Singapore

The Sole Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds and/or Shares to be issued upon conversion of the Bonds may not be circulated or distributed, nor may any Bonds and/or Shares to be issued upon conversion of the Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;
 - (iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”) and, accordingly, the Lead Manager has represented, warranted and agreed that they have not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People’s Republic of China

The Sole Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People’s Republic of China.

The Cayman Islands

The Sole Lead Manager has represented, warranted and agreed that the public in the Cayman Islands will not be invited to subscribe directly or indirectly for the Bonds.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code number 181955066 and the International Securities Identification Number for the Bonds is XS1819550663.
2. **Listing of Shares:** Application has been submitted to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares arising on conversion of the Bonds.
3. **Listing of Bonds:** Application has been submitted to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only, and listing is expected to become effective on or about 24 May 2018.
4. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 2 May 2018.
5. **No Material Adverse Change:** There has been no material adverse change in the financial or trading position or prospect of the Issuer or the Group since 31 December 2017.
6. **Litigation:** Neither the Issuer nor any of its subsidiaries is involved in any litigation or arbitration proceedings which are material in the context of the Bonds nor is the Issuer aware that any such proceedings are pending or threatened.
7. **Audited and Reviewed Financial Statements:** The Company's audited consolidated financial statements as at and for the years ended 31 December 2015, 2016 and 2017 incorporated by reference in this Offering Circular have been audited by Ernst & Young, Certified Public Accountants, as stated in its report appended to such statements.
8. **Documents:** Copies of the latest published annual report and audited consolidated financial statements of the Company for the year ended 31 December 2017, as well as the Company's Memorandum and Articles of Association and copies of the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date, at the specified office of the Company at Room 3504-12, 35th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wanchai, Hong Kong. Copies of the Trust Deed and the Agency Agreement will be available for inspection from the Issue Date upon written request and satisfactory proof of holding at the principal office of the Principal Agent at One Canada Square, London E14 5AL United Kingdom during normal business hours, so long as any of the Bonds is outstanding.

ISSUER

Zhongsheng Group Holdings Limited

P.O. Box 10008
Willow House
Cricket Square
Grand Cayman KY1-1001
Cayman Islands

AUDITOR

Ernst & Young

Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

TRUSTEE

The Bank of New York Mellon, London Branch

One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon SA/NV,

Luxembourg Branch
Vertigo Building — Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

PRINCIPAL AGENT

The Bank of New York Mellon, London Branch

One Canada Square
London E14 5AL
United Kingdom

LEGAL ADVISERS

*To the Issuer
as to English law and
Hong Kong law*

Davis Polk & Wardwell

The Hong Kong Club Building
3A Chater Road
Hong Kong

*To the Issuer
as to PRC law*

Jingtian & Gongcheng

F45, KWah Center
1010 Huaihai Road(M)
Xuhui District
Shanghai, the PRC

*To the Issuer
as to Cayman Islands law*

Conyers Dill & Pearman

Cricket Square, Hutchins
Drive
P.O.BOX 2681
Grand Cayman KY1-1111
Cayman Islands

*To the Sole Lead Manager and Trustee
as to English law*

Clifford Chance

27/F Jardine House
One Connaught Place
Central, Hong Kong

*To the Sole Lead Manager
as to PRC law*

Commerce & Finance Law Offices

6F NCI Tower
A12 Jianguomenwai Avenue
Beijing, China