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ZALL Development

Zall Development Group Ltd.

卓爾發展集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

OVERSEAS REGULATORY ANNOUNCEMENT

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

Reference is made to the announcement of Zall Development Group Ltd. (the “**Company**”) dated 11 June 2013 in relation to the proposed issue of USD100 million 5.5% Convertible Bonds due 2018 with the option to subscribe up to USD50 million Option Bonds on or before the date falling at the end of the 12 month period following 19 June 2013 (the “**Announcement**”). All capitalised terms used in this announcement shall have the same meaning as defined in the Announcement, unless otherwise defined or the context requires otherwise.

Please refer to the attached offering circular dated 14 June 2013 in relation to the listing of the Bonds (the “**Offering Circular**”), which was published on the website of SGX-ST on 21 June 2013.

The posting of the Offering Circular on the website of the Hong Kong Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules and not for any other purposes.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any securities of the Company, and no such inducement is intended. No investment decision should be based on the information contained in the Offering Circular.

By order of the Board
Zall Development Group Ltd.
Yan Zhi
Chairman

Hong Kong, 21 June 2013

As at the date of this announcement, the Board comprises eight members, of which Mr. Yan Zhi, Mr. Cui Jinfeng, Mr. Fang Li and Ms. Wang Danli are the executive Directors; Mr. Fu Gaochao is the non-executive Director; Ms. Yang Qiongzhen, Mr. Cheung Ka Fai and Mr. Peng Chi are the independent non-executive Directors.

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The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, Morgan Stanley & Co. International plc or The Hongkong and Shanghai Banking Corporation Limited (the “**Joint Placement Agents**”), the Trustee, the Security Trustee or the Agents (each as defined in this Offering Circular) nor any person who controls the Joint Placement Agents, the Trustee, the Security Trustee or the Agents nor any director, officer, employee nor agent of the Issuer or the Joint Placement Agents or the Trustee or the Security Trustee or the Agents, or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Placement Agents.

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Zall Development Group Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2098)

Up to US\$150,000,000 5.50 per cent. Convertible Bonds due 2018

Issue Price: 100 per cent.

Up to US\$150,000,000 aggregate principal amount of 5.50 per cent. Convertible Bonds due 2018 (the "**Bonds**") will be issued by Zall Development Group Ltd. (the "**Issuer**", the "**Company**" or "**we**"), which will be split into (i) the issue by the Issuer to the subscribers of US\$100,000,000 in aggregate principal amount of 5.50 per cent. Convertible Bonds due 2018 on the Issue Date (as defined below) and (ii) an option for the Issuer to issue and the subscribers to subscribe for up to an additional US\$50,000,000 in aggregate principal amount of 5.50 per cent. Convertible Bonds due 2018, subject to their mutual agreement.

The Bonds constitute direct, unconditional, unsubordinated and secured 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(I) as described in the terms and conditions of the Bonds (the "**Terms and Conditions of the Bonds**"), at all times rank at least equally with all of the Issuer's other present and future unsecured and unsubordinated obligations. The Bonds are unconditionally and irrevocably guaranteed (the "**Subsidiary Guarantees**") by certain subsidiaries of the Issuer (the "**Subsidiary Guarantors**"). The obligations of the Issuer under the Bonds and, the Trust Deed and of each Subsidiary Guarantor under the Subsidiary Guarantees are secured by the Share Charges (as defined in the Terms and Conditions of the Bonds).

Each Bond will, at the option of the holder, be convertible (unless previously redeemed, converted or purchased and cancelled) on or after the Issue Date up to the seventh day prior to the Maturity Date (as defined below) into fully paid ordinary shares with a par value of HK\$0.01 each in the issued and paid up capital of the Issuer (the "Shares") at an initial conversion price of HK\$3.0799 per Share (the "**Initial Conversion Price**") with a fixed exchange rate of HK\$7.7636 to US\$1.00 (the "**Fixed Exchange Rate**"). On June 19, 2014 and June 19, 2015 (each a "**Reset Date**"), if the arithmetical average of the Volume Weighted Average Price of the Shares for each of the 30 consecutive Trading Days immediately prior to such Reset Date (which shall be translated into US Dollars from Hong Kong dollars at the Prevailing Rate) (as defined in the Terms and Conditions of the Bonds) (each an "**Average Market Price**") is less than the Conversion Price (which shall be translated into US Dollars at the Fixed Exchange Rate) on such Reset Date, then the Conversion Price shall be adjusted on such Reset Date to be the equivalent of the Average Market Price translated into HKD at the Fixed Exchange Rate, provided that any such adjustment to the Conversion Price shall be limited such that the adjusted Conversion Price in no event shall (1) in the case of the Reset Date falling on June 19, 2014, be less than 80 per cent. of the initial Conversion Price (as adjusted by taking into account any adjustments as described in Condition 6(C) which may have occurred prior to the relevant Reset Date) and (2) in the case of the Reset Date falling on June 19, 2015, be less than 68.1 per cent. of the initial Conversion Price (as adjusted by taking into account any adjustments as described in Condition 6(C) which may have occurred prior to the relevant Reset Date). The Conversion Price is subject to adjustment in the other 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 June 11, 2013 was HK\$2.62 per Share.

Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed on June 19, 2018 (the "**Maturity Date**") at an amount equal to the sum of 135.40722 per cent. of their principal amount, accrued and unpaid interest thereon to the Maturity Date and the Non-Conversion Premium Payment (as defined in the Terms and Conditions of the Bonds). The Issuer may redeem the Bonds in whole, but not in part, at a redemption price equal to the sum of an amount equal to the sum of the Early Redemption Amount (as defined in the Terms and Conditions of the Bonds), interest accrued and unpaid to the date fixed for redemption and the Non-Conversion Premium Payment, if at any time at least 90 per cent. in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled. The Bonds may also be redeemed at the option of the holders at a redemption price equal to the sum of the Early Redemption Amount, interest accrued and unpaid to the Relevant Event Redemption Date (as defined in the Terms and Conditions of the Bonds) and the Non-Conversion Premium Payment, upon the Shares ceasing to be listed on or admitted to trading or suspended for a period equal to or exceeding 45 consecutive Trading Days (as defined in the Terms and Conditions of the Bonds) on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange (as defined in the Terms and Conditions of the Bonds) or upon the occurrence of a Change of Control (as defined in the Terms and Conditions of the Bonds). All and not some only of the Bonds may be redeemed at any time at the option of the Issuer at a redemption price equal to the sum of the Early Redemption Amount, interest accrued and unpaid to the date fixed for redemption and the Non-Conversion Premium Payment, in the event of certain changes relating to the laws or regulations of the PRC, Hong Kong, the Cayman Islands or the British Virgin Islands or any political subdivision or authority thereof or therein having power to tax, subject to the non-redemption option of each Bondholder after the exercise by the Issuer of its tax redemption option as described herein. The Bonds may be redeemed at the option of the holders of the Bonds, in whole or in part, at a redemption price equal to the sum of the Early Redemption Amount, interest accrued and unpaid to the Put Option Date (as defined in the Terms and Conditions of the Bonds) and the Non-Conversion Premium Payment, on June 19, 2016. See "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation*."

Approval in-principle has been received for the listing and quotation of the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Bonds to the Official List of, and quotation of the Bonds on, the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Bonds or the Shares. Application will be made for the listing of the Shares issuable on conversion of the Bonds on the Hong Kong Stock Exchange.

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, the Subsidiary Guarantees 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 (this "Offering Circular"), see "Subscription and Sale."

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Bond Certificate**") in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about June 19, 2013 (the "**Issue Date**"), with a common depository for, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Bond Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Bond Certificate.

Joint Placement Agents

Morgan Stanley

HSBC

The Issuer, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer and its subsidiaries and associates and the Bonds, the Subsidiary Guarantees 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 respect true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer and its subsidiaries and associates 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, the Subsidiary Guarantees 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 and (v) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements. In addition, the Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular.

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 Joint Placement Agents 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 Shares deliverable upon conversion 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 Shares deliverable on conversion or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorized to give any information or to make any representation concerning the Issuer and its subsidiaries and associates and jointly controlled entities, the Bonds, the Subsidiary Guarantees 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 authorized by the Issuer, the Joint Placement Agents, The Hongkong and Shanghai Banking Corporation Limited as trustee for the Bondholders (the "**Trustee**"), the Security Trustee or the Agents (each as defined in the Terms and Conditions of the Bonds). 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 or its subsidiaries and associates 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 Joint Placement Agents, the Trustee, the Security Trustee or the Agents 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 authorized or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Placement Agents, the Trustee, the Security Trustee or the Agents 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 Joint Placement Agents, the Trustee, the Security Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Joint Placement Agents, the Trustee, the Security Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. To the fullest extent permitted by law, none of the Joint Placement Agents, the Trustee, the Security Trustee or the Agents accepts any responsibility for the contents of this Offering Circular or for any other statement, made or purported to be made by the Joint Placement Agents, the Trustee, the Security Trustee or the Agents or on any of their behalf in connection with the Issuer, the Group, the Bonds or the Shares. Each of the Joint Placement Agents, the Trustee, the Security Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

In making an investment decision, investors must rely on their own examination of the Issuer and 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 Joint Placement Agents or any person affiliated with the Joint Placement Agents in connection with its investigation of

the accuracy of such information or its investment decision. The Joint Placement Agents, the Trustee, the Security Trustee and the Agents will not and do not undertake to review our financial condition or affairs during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Joint Placement Agents, the Trustee, the Security Trustee and the Agents.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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 terms “we”, “us”, “our”, the “Company”, the “Group” and words of similar import, we are referring to Zall Development Group Ltd. itself, or to Zall Development Group Ltd. and its consolidated subsidiaries, as the context requires.

All references in this Offering Circular to “US dollars” and “US\$” are to United States dollars; all references to “HK dollars” and “HK\$” are to Hong Kong dollars; and all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the PRC.

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to US dollars were made at the rate of RMB6.2301 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2012, and all translations from HK dollars into US dollars were made at the rate of HK\$7.7507 to US\$1.00, the noon buying rate in New York City for cable transfers payable in HK dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2012. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into US dollars or HK dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see “Exchange Rate Information”.

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

References to “PRC” and “China,” in the context of statistical information and description of laws and regulations in this Offering Circular, except where the context otherwise requires, do not include Hong Kong Special Administrative Region of the PRC (“Hong Kong”), Macau Special Administrative Region of the PRC (“Macau”) or Taiwan. “PRC government” or “State” means the central government of the PRC, together with all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Unless the context otherwise requires, references to “2010,” “2011” and “2012” in this Offering Circular are to our financial years ended December 31, 2010, 2011 and 2012, respectively.

References to “Share” are, unless the context indicates otherwise, to an ordinary share, with a nominal value of HK\$0.01, in our share capital.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area (“GFA”) information presented in this Offering Circular represent the site area and GFA of the entire project, including those attributable to the other shareholders or joint venture partners of our non-wholly owned project companies. References to “sq.m.” are to the measurement unit of square meters.

References to “Hong Kong Stock Exchange” in this Offering Circular are to The Stock Exchange of Hong Kong Limited.

References to “Listing Rules” in this Offering Circular are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended.

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 such rounding.

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

The following terms used in this Offering Circular shall have the same meaning assigned to them:

Term	Definition
“Central China”	the geographical region in China comprising the six provinces of Anhui, Henan, Hubei, Hunan, Jiangxi and Shanxi
“certificate of completion”	construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
“construction land planning permit”	the construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“construction permit”	construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
“construction works planning permit”	the construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“DCMA”	The Development Committee of Wholesale Markets of The China Marketing Association (中國市場學會商品批發市場發展委員會)
“EIT Law”	the Enterprise Income Tax Law of the PRC, which came into effect on January 1, 2008
“land grant contract”	the state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus
“land use rights certificate”	the state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land resources bureau with respect to the land use rights
“MOHURD”	PRC Ministry of Housing and Urban-Rural Development (中華人民共和國住房與城鄉建設部)
“MOFCOM”	PRC Ministry of Commerce (中華人民共和國商務部)
“NDRC”	PRC National Development and Reform Commission (中華人民共和國國家發展和改革委員會)
“PBOC”	People’s Bank of China (中國人民銀行)
“pre-sale permit”	commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
“property ownership certificate”	the property ownership certificate (房屋所有權證) issued by a local real estate and land resources bureau with respect to the ownership rights of the buildings on the relevant land

“SAFE”	PRC State Administration of Foreign Exchange (中華人民共和國國家外匯管理局)
“SAIC”	PRC State Administration for Industry and Commerce (中華人民共和國國家工商行管理總局)
“SMEs”	Small- and medium-sized enterprises

FORWARD-LOOKING STATEMENTS

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

- our business and operating strategies;
- our capital expenditure and property development plans;
- the amount and nature of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- the interpretation and implementation of the existing rules and regulations relating to land appreciation tax and its future changes in enactment, interpretation or enforcement;
- our financial condition and results of operations;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- the regulatory environment of our industry in general;
- the performance and future developments of the property market in China or any region in China in which we may engage in property development;
- changes in political, economic, legal and social conditions in China, including the specific policies of the PRC central and local governments affecting the region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of, and demand for, our property development projects;
- ability to obtain in a timely manner the various permits, proper legal titles or approvals for our properties under development or held for future development;
- timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the third-party contractors under various construction, building, interior decoration, material and equipment supply and installation contracts;
- relationship with our joint venture partners;
- occurrences of catastrophes such as fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;

- changes in currency exchange rates; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “Risk Factors” and elsewhere in this Offering Circular. We caution you not to place undue reliance on these forward-looking statements which reflect our management’s view only as of the date of this Offering Circular. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

INCORPORATION OF FINANCIAL INFORMATION

The audited consolidated financial statements of the Company as of and for the three years ended December 31, 2010, 2011 and 2012 which are contained in the annual reports of the Company for the year ended December 31, 2011 and 2012, respectively, are incorporated by reference in this Offering Circular. Copies of such annual reports are available and may be (i) obtained free of charge at the principal office of the Company in Hong Kong at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong or (ii) downloaded free of charge from the website of the Hong Kong Stock Exchange at www.hkex.com.hk.

The consolidated financial statements of the Company were prepared in accordance with International Financial Reporting Standards (“IFRS”) and have been audited by KPMG, Certified Public Accountants.

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SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read this Offering Circular in its entirety, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

We are a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls in China, in terms of planned GFA, consumer product coverage and range of value-added supporting services and facilities, according to DCMA. We also develop certain other commercial, residential and mixed-use property projects that serves a complimentary purpose to our wholesale shopping malls. We are listed on the Hong Kong Stock Exchange and have become a constituent stock of the Hang Seng Composite Index since March 4, 2013.

We sell and lease wholesale shopping mall units as a “one stop” business space solution to our clients, who are suppliers, manufacturers and distributors of consumer products and SMEs focused primarily on the domestic consumption market. We aim to provide an integrated business platform from which our clients are able to display and sell their consumer products to domestic retailers and end-consumers. At the same time, we also aim to offer or make available a wide range of value-added supporting services and facilities including warehouse leasing services, hotels and restaurants, third-party banking and government services to support and serve the business needs of our clients. We believe that the PRC government’s policies of stimulating domestic demand to promote domestic consumption as a key driver for China’s future economic growth will increase domestic demand for consumer products and provide growth opportunities for our clients, which we expect will result in a corresponding increase in demand for our wholesale shopping mall units.

Headquartered in Wuhan, we have historically focused our property development in the capital of Hubei Province where our headquarter is located. As of December 31, 2012, our flagship project, the North Hankou International Trade Center (漢口北國際商品交易中心) (“North Hankou Project”), was the largest wholesale shopping mall in Central China and the second largest wholesale shopping mall in China in terms of planned GFA among the top 10 integrated wholesale markets for consumer products and small household items, according to DCMA. The North Hankou Project consists of wholesale shopping malls serving 12 consumer product sectors, namely footwear and leather products, small household items, hotel products and supplies, apparel, cotton knitwear products, home textiles, electronics and home appliances, gifts, textiles, luxury goods, general products and automobiles and automobile parts and accessories. We are also developing a number of commercial, residential and mixed-use property projects. These projects include No.1 Enterprise Community – Wuhan (第一企業社區•武漢), Wuhan Salon (武漢客廳), No. 1 Enterprise Community – Changsha (第一企業社區•長沙), Shenyang Salon (瀋陽客廳), Zall International Finance Center (卓爾國際金融中心), Zall Life City – Hupan Haoting Residences (卓爾生活城—湖畔豪庭) and Zall Life City – Zhujinyuan Residences (卓爾生活城—築錦苑). In addition, we have entered into master, cooperation or investment agreements with various government authorities to develop other projects, which will be modeled on our North Hankou Project, No.1 Enterprise Community – Wuhan and Wuhan Salon in terms of the properties and services offered. These projects include North Hankou Project (District II) (漢口北項目二區) and Wuhan Salon (Phase II) (武漢客廳二期) in Wuhan, Xiangyang Salon (襄陽客廳) in Xiangyang and Zall Northern China International Trade Center (卓爾華北國際商品交易中心), Binhai Salon (濱海客廳) and No.1 Enterprise Community Northern China Headquarters Business Park (第一企業社區•華北總部基地) in Tianjin and Northeastern China (Shenyang) International Trade Center (東北(沈陽)國際商品交易中心), No.1 Enterprise Community Northeastern China Headquarters Business Park (第一企業社區•東北總部基地) and Northeastern Logistic Enterprise Community (東北物聯港) in Shenyang.

In September 2009, 2010 and 2011, we were recognized as a “Top 500 Services Industry Enterprise in China” (中國服務業企業 500 強) by the China Enterprises Confederation (中國企業聯合會) and the Chinese Entrepreneurs’ Association (中國企業家協會), based on turnover. In 2010, 2011 and 2012, we were recognized as a “Top 500 Private Enterprise in China” (中華民營企業 500 強) by the All-China Federation of Industry and Commerce (中華全國工商業聯合會). On top of these, we have also received various other awards in recent years. In October 2010, in recognition of our North Hankou Project, we received the highly prestigious Guangsha Prize (廣廈獎) from MOHURD and the China Real Estate Association (中國房地產協會) which is awarded annually to a few outstanding landmark property projects in China. In November 2010, we won a Golden Landmark Award (金地標獎) as a “leading enterprise in the urban complex industry of China” (中國城市綜合體領軍企業) from 21st Century Business Herald (21 世紀經濟報導), a leading Chinese business newspaper. During 2012, we were honored as one of the “Top 30 Real Estate Companies in Hubei Province of 2012” (二零一二年湖北省房地產公

司 30 強) by the China Index Academy (中國指數研究院) and were awarded “Top 200 Efficient Enterprises in China for 2012” (二零一二年中國企業效益 200 佳) by China Enterprise Confederation/China Enterprise Directors Association (中國企業聯合會/中國企業家協會). Furthermore, in April 2010, our North Hankou Project was designated as an “AAA National Shopping Tourism Area” by the Hubei Province Tourism Bureau. In December 2011, our North Hankou Project was awarded “Commercial Property with the Most Investment Value in 2011” (2011 年度最具投資價值商業地產) by Wuhan Morning Post and Wuhan Real Estate Corporation (武漢晨報及武漢房地產開發協會). In January 2012, our North Hankou Project was further awarded “Commercial Property with the Most Investment Value” (最具投資價值商業地產) jointly by Changjiang Morning Post (長江日報), China Real Estate Corporation (中國房地產協會) and Hubei Real Estate Corporation (湖北房地產協會). In November 2012, our North Hankou Project was named “Property with the Most Investment Value in 2012” (最具投資價值樓盤) in the “Hubei Real Estate League Table 2012” (湖北房地產風雲榜) jointly held by Wuhan Evening Post (武漢晚報) and Hubei Strong Media League (湖北強勢媒體聯盟), and was awarded “Best City Operator in 2012” (2012 年度最佳城市運營商) in the Hubei Real Estate Annual Awards Ceremony (湖北房地產年會頒獎盛典). In December 2012, our North Hankou Project received the “Wuhan Real Estate Area Driving Force Property in 2012” (2012 年武漢房地產區域推動力樓盤獎) in the “Action Power – 2012 Leju Innovative Summit and China Real Estate Weibo Conference” (行動的力量 – 2012 樂居創新峰會暨中國房地產微博大會).

As of December 31, 2012, we had land reserves of approximately 5.1 million sq.m., for which we had obtained land use rights. We had an aggregate planned GFA of approximately 5.9 million sq.m., of which approximately 0.7 million sq.m. had been completed and delivered.

Our turnover was RMB769.7 million, RMB2,454.2 million and RMB1,489.9 million (US\$239.1 million) and the profit attributable to equity holders of our Company was RMB635.1 million, RMB1,194.7 million and RMB1,150.9 million (US\$184.7 million) in 2010, 2011 and 2012, respectively.

Competitive Strengths

We believe that our primary competitive strengths are:

- we are well-positioned to benefit from the rapidly growing domestic consumer market demand driven by China’s continuing economic growth and national policies promoting domestic consumption;
- our operations are strategically located in Wuhan, which has historically served as a major trading and commercial center in China, and was recently selected as the key regional center under the Central China Revitalization Plan;
- our robust business model is focused on developing large-scale projects and operations to complement the development of the local and regional governments;
- we have developed close working relationships with the local and regional governments where we currently operate or plan to operate, and our North Hankou Project also enjoys support from central government authorities;
- we have a track record of proven profitability and prudent financial management; and
- we have an experienced, entrepreneurial and highly customer-focused management team.

Business Strategies

Our business strategies are to:

- continue to develop and operate our flagship project, the North Hankou Project;
- maximize occupancy rates, rental rates and traffic flow in the North Hankou Project and other planned projects;
- expand our offering of projects and services to diversify our turnover source and continue to optimize our turnover stream;
- selectively pursue expansion projects by replicating our successful business model in other regional cities with a market demand for large-scale wholesale shopping malls; and

- achieve optimal mix between shopping mall units for sale and those held as investment properties.

General Information

We were incorporated in the Cayman Islands on September 22, 2010, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since July 13, 2011 under stock code 2098. Our principal place of business in the PRC is located at Zall Plaza, No.1 Enterprise Community, 1 Chutian Avenue, Panlongcheng Economic and Technology Development Zone, Wuhan, Hubei Province, China 430000. Our place of business in Hong Kong is located at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.zallcn.com. Information contained on our website does not constitute part of this Offering Circular.

THE ISSUE

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

Issuer	Zall Development Group Ltd.
The Issue	United States dollar denominated 5.50 per cent. convertible bonds due 2018 in an aggregate principal amount of US\$100,000,000, convertible into fully-paid ordinary shares of par value HK\$0.01 each of the Issuer.
Option Bonds	Up to US\$50,000,000 aggregate principal amount of the Bonds.
Interest	The Bonds bear interest from and including June 19, 2013 at the rate of 5.50 per cent. per annum payable semi-annually in arrear on June 19 and December 19 in each year.
Non-Conversion Premium Payment	The Issuer shall pay a non-conversion premium payment of US\$13,160 per US\$200,000 in principal amount of Bonds upon any redemption of the Bonds in accordance with Condition 8 or 10(A).
Issue Price	100% of the principal amount of the Bonds.
Form and Denomination	The Bonds will be issued in registered form in the denomination of US\$200,000 each and higher integral multiples thereof.
Issue Date	June 19, 2013.
Maturity Date	June 19, 2018.
Status of the Bonds	The Bonds constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank <i>pari passu</i> 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, at all times rank at least equally with all of the Issuer's other present and future unsecured and unsubordinated obligations.
Subsidiary Guarantees	The due payment of all sums expressed to be payable by the Issuer under the Bonds, the Trust Deed and the Agency Agreement are unconditionally and irrevocably guaranteed, on a joint and several basis, by the initial Subsidiary Guarantors set out in "Terms and Conditions of the Bonds – Status, Guarantee and Security – Subsidiary Guarantees – Initial Subsidiary Guarantors".
JV Subsidiary Guarantees	If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor constitutes a general obligation of such JV Subsidiary Guarantor, and shall, save for exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4(I) of the Terms and Conditions of the Bonds, be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor, and at all times rank at least <i>pari passu</i> with all of the other present and future unsecured, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor.

In the case of a Restricted Subsidiary (i) that is established or commences investment for the purposes of commencing business activities after the Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Issuer or any of its Restricted Subsidiaries (x) is proposing to divest, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20 per cent. and no more than 49.9 per cent. of the Capital Stock of such Restricted Subsidiary, or (y) is proposing to purchase no less than 50.1 per cent. of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Issuer may, concurrently with the consummation of such sale, issuance or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Subsidiaries of such Restricted Subsidiary that are organised in any jurisdiction other than the PRC to guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds, if the conditions set out under "*Terms and Conditions – Status, Guarantees and Security – JV Subsidiary Guarantees – JV Subsidiary Guarantors*" are satisfied or complied with.

The JV Subsidiary Guarantee of a JV Subsidiary Guarantor (if any) may be released (on the occurrence of the events set out in paragraphs (a) and (b) below, only in relation to the affected JV Subsidiary Guarantor) if:

- (a) in relation to any JV Subsidiary Guarantor, such JV Subsidiary Guarantor is disposed of in accordance with the Terms and Conditions of the Bonds and the Trust Deed resulting in such JV Subsidiary Guarantor no longer being a Restricted Subsidiary, *provided* that: (a) such JV Subsidiary Guarantor is simultaneously released from its obligations (if any) in respect of any other Indebtedness of the Issuer or any Restricted Subsidiary; and (b) the proceeds of any such disposal are used for purposes either permitted or required by the Terms and Conditions of the Bonds or the Trust Deed;
- (b) in relation to any JV Subsidiary Guarantor, the Issuer designates such JV Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the Terms and Conditions of the Bonds and the Trust Deed; or
- (c) all amounts due and payable under the Bonds then outstanding and the Trust Deed have been paid in full or upon full conversion of the Bonds then outstanding in accordance with the Terms and Conditions of the Bonds and the Trust Deed.

Future Subsidiary Guarantors

The Issuer will cause each of its future Subsidiaries (as defined in the Terms and Conditions of the Bonds) (other than Subsidiaries organized under the laws of the PRC), as soon as practicable and in any event within 30 days after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental trust deed to the Trust Deed in accordance with the terms of the Trust Deed, pursuant to which such Restricted Subsidiary will, jointly and severally with the existing Subsidiary Guarantors, guarantee, as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, the due payment in full of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds, provided that each JV Subsidiary Guarantee will be limited to the JV Entitlement Amount (as defined in the Terms and Conditions)

of the relevant JV Subsidiary Guarantor. Notwithstanding the foregoing, the Issuer may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary, provided that, (a) at the time of determination, the total Non-Guaranteed Portion would not exceed 10 per cent. of Total Assets and (b) such designation would not cause a Default (as defined in the Terms and Conditions of the Bonds).

See “*Terms and Conditions of the Bonds – Status, Guarantees and Security – Offshore Non-Guarantor Subsidiaries.*”

The Subsidiary Guarantees may be released (on the occurrence of the events set out in paragraphs (a), (b) and (c) below, only in relation to the Subsidiary Guarantor affected) if:

- (a) in relation to any Subsidiary Guarantor, such Subsidiary Guarantor is disposed of in accordance with the Terms and Conditions of the Bonds and the Trust Deed resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, provided that: (a) such Subsidiary Guarantor is simultaneously released from its obligations (if any) in respect of any other Indebtedness of the Issuer or any Restricted Subsidiary; and (b) the proceeds of any such disposal are used for purposes either permitted or required by the Terms and Conditions of the Bonds or the Trust Deed;
- (b) in relation to any Subsidiary Guarantor, the Issuer designates such Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with the Terms and Conditions of the Bonds and the Trust Deed;
- (c) upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- (d) all amounts due and payable under the Bonds then outstanding and the Trust Deed have been paid in full or upon full conversion of the Bonds then outstanding in accordance with the Terms and Conditions of the Bonds and the Trust Deed.

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Issuer or any of its Restricted Subsidiaries of Capital Stock (as defined in the Terms and Conditions of the Bonds) in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is of no less than 20 per cent. and no more than 49.9 per cent. of the issued Capital Stock of the relevant Subsidiary Guarantor so that such Subsidiary Guarantor becomes a JV Subsidiary Guarantor, provided that the conditions set out under “*Terms and Conditions – Status, Guarantees and Security – Subsidiary Guarantees - Replacement of Subsidiary Guarantee with JV Subsidiary Guarantee*” are satisfied or complied with.

Security.....

The Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have the benefit of the CB Security constituted by (1) the share charges in respect of the ordinary shares of Zall

Development (BVI) Holding Company Limited, Zall Development (HK) Holding Company Limited and Zhen An Properties Limited granted by the Issuer, Zall Development (BVI) Holding Company Limited and Zall Development (HK) Holding Company Limited and the share charges in respect of the ordinary shares of each of the Future Subsidiary Guarantors and JV Subsidiary Guarantors (if any) and (2) the Trust Deed, as security, *inter alia*, for all amounts payable on the Bonds and all present and future liabilities and obligations of the obligors under the Bonds, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Conditions and the Trust Deed.

The Issuer will cause the holders of the ordinary shares of each of the Future Subsidiary Guarantors, at the same time a supplemental trust deed is delivered, to execute and deliver to the Security Trustee a share charge in respect of the ordinary shares of such Future Subsidiary Guarantor to secure, *inter alia*, all amounts payable on the Bonds and all present and future liabilities and obligations of the obligors under the Bonds, the Subsidiary Guarantees, the Conditions and the Trust Deed.

Additionally, if any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Issuer or any Subsidiary Guarantor shall be pledged to secure the obligations of, *inter alia*, the Issuer under the Bonds and the Trust Deed and the obligations of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee, as the case may be, in the manner described above. However, no JV Subsidiary Guarantor will be obliged to provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security.

The CB Security may be released in certain circumstances set out in "*Terms and Conditions of the Bonds – Status, Guarantee and Security – Security.*"

**Permitted Pari Passu Secured
Indebtedness.....**

On or after the Issue Date, the Chargor may create Liens on the Collateral ranking *pari passu* with the Lien created pursuant to the CB Security Documents for the benefit of the Bondholders (including the Option Bonds and the Additional Bonds (as defined in the Terms and Conditions of the Bonds)) to secure Indebtedness (as defined in the Terms and Conditions of the Bonds) of the Issuer and any Pari Passu Subsidiary Guarantee (as defined in the Terms and Conditions of the Bonds) of a Chargor with respect to such Indebtedness (such Indebtedness of the Issuer and any such Pari Passu Subsidiary Guarantee, "**Permitted Pari Passu Secured Indebtedness**"); provided that (a) except in the case of the Option Bonds and the Additional Bonds, the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement referred to below; (b) the agreement in respect of such Indebtedness contains provisions with respect to releases of the Collateral and such Pari Passu Subsidiary Guarantee is substantially similar to and no more restrictive on the Issuer and such Chargor than the provisions of the Trust Deed and the CB Security Documents; and (c) the Issuer and the other Chargors promptly deliver to the Trustee an Opinion of Counsel and an Officers' Certificate (each as defined in the Terms and Conditions of the Bonds) in respect of corporate and collateral matters in connection with the CB Security Documents, each case in form and substance as set forth in CB Security Documents or otherwise satisfactory to the Trustee.

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Issuer and its Restricted Subsidiaries are

not permitted to issue or incur any other indebtedness secured by all or any portion of the collateral without the consent of the bondholders by way of an extraordinary resolution.

Intercreditor Agreement..... Prior to the first incurrence of any permitted pari passu secured indebtedness (other than in respect of any option bonds or additional bonds), the trustee and the security trustee shall enter into an intercreditor agreement (the “**Intercreditor Agreement**”), the terms of which shall be satisfactory to the trustee and the security trustee, with the chargors and the holders of such permitted pari passu secured indebtedness (or their duly authorized representative). The intercreditor agreement shall provide, among other things, that (a) the parties thereto shall share equal priority and pro rata entitlement in and to the collateral; (b) the conditions under which the parties thereto shall consent to the discharge of or granting of any lien on such collateral; and (c) the conditions under which the parties thereto shall enforce their rights with respect to such collateral and the indebtedness secured thereby.

See “*Terms and Conditions of the Bonds – Permitted Pari Passu Secured Indebtedness.*”

Financial Covenants..... So long as any bond remains outstanding, the issuer shall not directly or indirectly, permit:

- (i) the ratio of consolidated net debt as at the end of any relevant period to total equity attributable to shareholders to exceed 75 per cent.; and
- (ii) total equity attributable to shareholders as at the end of any relevant period to be less than RMB4,000,000,000.

Other Covenants..... So long as any of the bonds are outstanding, Mr Yan Zhi shall at all times own (directly or indirectly) not less than 51 per cent. of the voting rights of the issued share capital of the issuer.

The bonds will limit the issuer's ability and the ability of its restricted subsidiaries to, among other things:

- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specific restricted payments;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness of restricted subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

See "*Terms and Conditions of the Bonds – Covenants.*"

Conversion Period	On or after the Issue Date up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the seventh day prior to the Maturity Date (both days inclusive) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven 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 such Bondholder pursuant to " <i>Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption for Delisting, Suspension of Trading or Change of Control</i> " or " <i>Terms and Conditions of the Bonds – Redemption, Purchase and Cancellation – Redemption at the option of the Bondholders</i> " then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice.
Conversion Price	HK\$3.0799 per Share, subject to adjustment as provided in, and otherwise on the terms of, the Terms and Conditions of the Bonds for, among other things, subdivision, reclassification or consolidation of Shares, bonus issues, rights issues, capital distributions, distributions and other dilutive events as described in " <i>Terms and Conditions of the Bonds.</i> "
Conversion Price Reset	On June 19, 2014 and June 19, 2015 (each a " Reset Date "), if the arithmetical average of the Volume Weighted Average Price of the Shares for each of the 30 consecutive Trading Days immediately prior to such Reset Date (which shall be translated into US Dollars from Hong Kong dollars at the Prevailing Rate) (each an " Average Market Price ") is less than the Conversion Price (which shall be translated into US Dollars at the Fixed Exchange Rate) on such Reset Date, then the Conversion Price shall be adjusted on such Reset Date to be the equivalent of the Average Market Price translated into HKD at the Fixed Exchange Rate, provided that any such adjustment to the Conversion Price shall be limited such that the adjusted Conversion Price in no event shall (1) in the case of the Reset Date falling on June 19, 2014, be less than 80 per cent. of the initial Conversion Price (as adjusted by taking into account any adjustments as described in Condition 6(C) which may have occurred prior to the relevant Reset Date) and (2) in the case of the Reset Date falling on June 19, 2015, be less than 68.1 per cent. of the initial Conversion Price (as adjusted by taking into account any adjustments as described in Condition 6(C) which may have occurred prior to the relevant Reset Date), and subject to such further conditions as described in " <i>Terms and Conditions of the Bonds – Conversion – Conversion Price Reset.</i> "
Public float requirement	If the issue of the Shares in satisfaction of the Conversion Right in respect of a Bond would result in the Issuer failing to meet its obligation under the Listing Rules to maintain the minimum prescribed percentage of the Shares that must at all times remain in public hands (as defined in the Listing Rules) or such other lower percentage permitted by the Hong Kong Stock Exchange at its discretion, then such Conversion Right in respect of a Bond shall be deemed not to have been exercised.

Cash settlement option..... Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the Issuer is required to deliver Shares following delivery of a Conversion Notice and it is unable to do so without contravening the applicable laws of the Cayman Islands or the applicable listing rules of the relevant stock exchange, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash in United States dollars equal to the applicable Cash Settlement Amount in order to satisfy such portion of the conversion right which would cause the Issuer to contravene the applicable laws of the Cayman Islands or the applicable listing rules of the relevant stock exchange (with the remaining portion of the conversion right to be satisfied by the delivery of Shares).

Final Maturity Unless the Bonds are previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Bond on the Maturity Date at an amount equal to the sum of 135.40722 per cent. of its principal amount, accrued and unpaid interest thereon to the Maturity Date and the Non-Conversion Premium Payment.

Redemption for Taxation Reasons..... The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable) at the sum of the Early Redemption Amount, interest accrued and unpaid to the date fixed for redemption and the Non-Conversion Premium Payment if (i) (A) the Issuer 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 of the PRC, Hong Kong or the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after June 11, 2013, and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, and (ii) (A) (if a demand was made under the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any)) the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the Cayman Islands, the British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after June 11, 2013, and (B) such obligation cannot be avoided by the relevant Subsidiary Guarantor or JV Subsidiary Guarantor (if any) taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer 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 Issuer..... On giving not less than 30 nor more than 90 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), the Issuer 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 sum of the Early Redemption Amount, interest accrued and unpaid to the date fixed for redemption and the Non-Conversion Premium Payment provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including any further bonds issued pursuant to the "Terms

and Conditions of the Bonds" and consolidated and forming a single series with the Bonds) has already been converted, redeemed or purchased and cancelled.

Redemption at the Option of the Bondholders

On June 19, 2016, 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 the sum of the Early Redemption Amount, interest accrued and unpaid to the Put Option Date and the Non-Conversion Premium Payment. 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 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.

Redemption for Delisting or Change of Control.....

If at any time:

- (a) the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 45 consecutive Trading Days (as defined in the Terms and Conditions of the Bonds) on the Hong Kong Stock Exchange or, if applicable, the Alternative Stock Exchange; or
- (b) there is a Change of Control,

the holder of each Bond will have the right at such holder's option, to require the Issuer to redeem all or some only (subject to the principal amount of such holder's Bonds redeemed and the principal amount of the balance of such holder's Bonds not redeemed being an Authorized Denomination) of such holder's Bonds on the Relevant Event Redemption Date at the sum of the Early Redemption Amount, interest accrued and unpaid to the Relevant Event Redemption Date and the Non-Conversion Premium Payment.

Early Redemption Amount.....

Early Redemption Amount means an amount in respect of each US\$200,000 principal amount of Bonds calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is an Interest Payment Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Interest Payment Date):

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

Previous Redemption Amount = the Early Redemption Amount for each US\$200,000 principal amount of Bonds on the Interest Payment Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to the first Interest Payment Date, US\$200,000):

<u>Interest Payment Date</u>	<u>Early Redemption Amount</u> (US\$)
19 December 2013	205,500.00
19 June 2014	211,302.50
19 December 2014	217,424.14

19 June 2015	223,882.47
19 December 2015	230,696.00
19 June 2016	237,884.28
19 December 2016	245,467.92
19 June 2017	253,468.65
19 December 2017	261,909.43

r = 11.0 per cent. expressed as a fraction

d = number of days from and including the immediately preceding Interest Payment Date (or if the Bonds are to be redeemed on or before the first Interest Payment Date, 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

p = 180

AI = means the accrued interest on the principal amount of the Bonds from and including the immediately preceding Interest Payment Date (or if the Bonds are to be redeemed on or before the first Interest Payment Date, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis described in Condition 5(A)

Events of Default	For a description of certain events of default that will permit the Bonds to become immediately due and payable at their principal amount, see " <i>Terms and Conditions of the Bonds — Events of Default.</i> "
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Bond Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with a common depository for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Bond Certificate will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Bond Certificate.
Governing Law	Hong Kong law.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Security Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Agent	The Hongkong and Shanghai Banking Corporation Limited.
Registrar	The Hongkong and Shanghai Banking Corporation Limited.
Listing	Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any statements made, opinions expressed or reports contained herein. Admission of the Bonds to the Official List of, and quotation of the Bonds on, the SGX-ST is not to be taken as an indication of the merits of the Bonds, the Shares or the Issuer. The Bonds will be traded on the Official List of SGX-ST in a minimum trading board lot size of US\$200,000 for so long as the Bonds are listed on the Official List of SGX-ST. The Shares are currently, and those Shares to be issued upon conversion of the Bonds will be, listed on the Hong Kong Stock Exchange.

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. For a description of the restrictions on the distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds and the Shares to be issued upon conversion of the Bonds, see "*Subscription and Sale*."

ISIN..... XS0944312551

Common Code 094431255

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

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

The consolidated financial information as of and for the years ended December 31, 2010, 2011 and 2012 set forth below is derived from the Company's published audited consolidated financial statements for the year ended December 31, 2011 and 2012, respectively (which have been audited by KPMG, independent certified public accountants, and are incorporated by reference in this Offering Circular) and should be read in conjunction with such published audited consolidated financial statements and the notes thereto.

Summary Consolidated Statement of Comprehensive Income

	For the year ended December 31,			
	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2012 (US\$'000)
Turnover	769,737	2,454,208	1,489,928	239,150
Cost of sales	(413,210)	(715,174)	(407,048)	(65,336)
Gross profit	356,527	1,739,034	1,082,880	173,814
Other net income/(loss)	216	(44,623)	(9,812)	(1,575)
Other revenue	8,249	5,249	8,657	1,390
Selling and distribution expenses	(25,074)	(43,406)	(88,347)	(14,181)
Administrative and other expenses	(39,854)	(110,084)	(136,805)	(21,959)
Profit from operations before changes in fair value of investment properties	300,064	1,546,170	856,573	137,489
Increase in fair value of investment properties and non-current assets classified as held for sale	626,563	255,881	200,467	32,178
Fair value gain upon transfer of completed properties held for sale to investment properties	-	-	496,888	79,756
Profit from operations after changes in fair value of investment properties	926,627	1,802,051	1,553,928	249,423
Share of profits/(losses) of jointly controlled entities	(4,755)	(2,408)	119,157	19,126
Finance income	626	5,108	3,407	547
Finance costs	(925)	(6,996)	(5,507)	(884)
Profit before taxation	921,573	1,797,755	1,670,985	268,212
Income tax	(288,387)	(613,880)	(502,020)	(80,580)
Profit for the year	633,186	1,183,875	1,168,965	187,632
Attributable to:				
Equity shareholders of the Company	635,072	1,194,732	1,150,943	184,739
Non-controlling interests	(1,886)	(10,857)	18,022	2,893
Profit for the year	633,186	1,183,875	1,168,965	187,632
Other comprehensive income for the year:				
Exchange differences on translation of financial statements of subsidiaries in other jurisdictions, net of nil tax	59	(21,347)	(153)	(25)
Total comprehensive income for the year	633,245	1,162,528	1,168,812	187,607
Attributable to:				
Equity shareholders of the Company	635,131	1,173,385	1,150,790	184,714
Non-controlling interests	(1,886)	(10,857)	18,022	2,893
Total comprehensive income for the year	633,245	1,162,528	1,168,812	187,607
Earnings per share:				
Basic	RMB0.18	RMB0.34	RMB0.33	US\$0.05
Diluted	RMB0.18	RMB0.34	RMB0.33	US\$0.05

Other financial data:

Adjusted EBITDA ⁽¹⁾	303,404	1,554,343	875,323	140,498
Adjusted EBITDA margin ⁽²⁾	39%	63%	59%	59%

Notes:

(1) Adjusted EBITDA consists of profit for the year before income tax, finance costs, share of results of jointly controlled entities, depreciation, amortization, fair value gain of investment properties and non-current assets classified as held for sale and fair value gain upon transfer of completed properties held for sale to investment properties. Adjusted EBITDA is not a standard measure under IFRS. Adjusted EBITDA is a widely used financial indicator of a company's ability to service and incur debt. Adjusted EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating adjusted EBITDA, we believe that investors should consider, among other things, the components of adjusted EBITDA such as sales and operating expenses and the amount by which adjusted EBITDA exceeds capital expenditures and other charges. We have included adjusted EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. Adjusted EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our adjusted EBITDA to EBITDA or adjusted EBITDA presented by other companies because not all companies use the same definition.

(2) Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by turnover.

Summary Consolidated Statement of Financial Position

	As at December 31,			
	2010 (RMB'000)	2011 (RMB'000)	2012 (RMB'000)	2012 (US\$'000)
Non-current assets				
Property, plant and equipment.....	18,170	20,627	133,155	21,373
Investment properties	2,205,250	3,773,100	4,707,800	755,654
Interests in jointly controlled entities	44,543	42,135	161,292	25,889
Intangible assets	-	-	11,381	1,827
Deferred tax assets	-	-	10,519	1,688
	<u>2,267,963</u>	<u>3,835,862</u>	<u>5,024,147</u>	<u>806,431</u>
Current assets				
Properties under development	1,557,630	2,695,545	3,997,123	641,582
Completed properties held for sale.....	119,127	449,920	1,448,542	232,507
Inventories.....	193	248	5	1
Current tax assets	39,529	3,360	18,870	3,029
Trade and other receivables, prepayments	289,822	903,660	853,674	137,024
Available-for-sale unlisted equity				
securities.....	500	500	500	80
Other financial assets	-	10,000	-	-
Short term bank deposits	-	-	120,000	19,261
Restricted cash	12,800	19,329	19,422	3,118
Cash and cash equivalents.....	304,874	970,540	998,131	160,211
	<u>2,324,475</u>	<u>5,053,102</u>	<u>7,456,267</u>	<u>1,196,813</u>
Non-current assets classified as held for sale.....	495,580	195,000	200,000	32,102
	<u>2,820,055</u>	<u>5,248,102</u>	<u>7,656,267</u>	<u>1,228,915</u>
Current liabilities				
Trade and other payables.....	1,730,269	1,816,584	2,390,365	383,680
Bank loans and loan from other financial institution	167,000	374,454	545,160	87,504
Current tax liabilities.....	28,917	382,433	492,717	79,087
Deferred income.....	566,286	608,348	658,497	105,696
	<u>2,492,472</u>	<u>3,181,819</u>	<u>4,086,739</u>	<u>655,967</u>
Liabilities directly associated with non-current assets classified as held for sale ..	130,528	44,109	45,474	7,299
	<u>2,623,000</u>	<u>3,225,928</u>	<u>4,132,213</u>	<u>663,266</u>
Net current assets	<u>197,055</u>	<u>2,022,174</u>	<u>3,524,054</u>	<u>565,649</u>

Total assets less current liabilities.....	2,465,018	5,858,036	8,548,201	1,372,080
Non-current liabilities				
Bank loans and loan from other financial institution.....	172,693	1,003,900	2,426,540	389,487
Long term payable.....	5,378	6,376	-	-
Deferred income.....	10,885	7,035	27,851	4,470
Deferred tax liabilities.....	477,259	534,742	674,897	108,328
	<u>666,215</u>	<u>1,552,053</u>	<u>3,129,288</u>	<u>502,285</u>
Net assets.....	<u>1,798,803</u>	<u>4,305,983</u>	<u>5,418,913</u>	<u>869,795</u>
Equity				
Share capital.....	-	29,071	29,071	4,666
Reserves.....	<u>1,750,894</u>	<u>3,773,473</u>	<u>4,848,381</u>	<u>778,219</u>
Total equity attributable to equity shareholders of the Company.....	1,750,894	3,802,544	4,877,452	782,885
Non-controlling interests.....	<u>47,909</u>	<u>503,439</u>	<u>541,461</u>	<u>86,910</u>
Total equity.....	<u>1,798,803</u>	<u>4,305,983</u>	<u>5,418,913</u>	<u>869,795</u>

RISK FACTORS

You should carefully consider the risks and uncertainties described below and other information contained in this Offering Circular before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Bonds and you could lose all or part of your investment.

Risks relating to our business and our industry

We are dependent on economic growth, especially growth in the consumer economy in China, particularly in Central China where we have substantially all of our operations.

We depend on continued economic growth in China, particularly in Central China, where we currently conduct substantially all of our business operations. As a developer and operator of large-scale, consumer product-focused wholesale shopping malls, we also depend on growth in the consumer economy in Central China. For instance, the North Hankou Project, our flagship project, is situated in Wuhan, Hubei Province in Central China. Unlike the more developed coastal regions of China, Central China has remained relatively under-developed over the years and has only recently become a focal point in the development plans of the PRC government. Economic development in Central China requires significant infrastructural ground work. In addition, in our business model, after we complete the development of large-scale wholesale shopping mall units, we primarily sell them to suppliers, manufacturers and distributors of consumer products and SMEs and keep a portion as investment properties for leasing. We also operate and manage our wholesale shopping malls. The demand for the wholesale shopping mall units offered by us and the success of our business model depend on the development of a consumer-driven economy and the consumer products wholesale market in China. Any economic downturn in China, particularly in Central China, or a failure by the PRC government to develop a consumer-driven economy from an export-reliant economy, could materially and adversely affect our business, financial condition and results of operations. Furthermore, our wholesale shopping mall business is capital intensive and reliant on cash flows from payments from our customers for purchasing or leasing our wholesale shopping mall units. Any negative trend in the general economic environment in China, especially Central China or in the operating conditions in the consumer products wholesale shopping mall market may materially and adversely affect our business, financial condition and results of operations.

Our operations are subject to extensive governmental regulation, and we are particularly susceptible to changes in policies related to the real estate industry in China.

Our business is subject to extensive governmental regulation. Like other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

In the second half of 2008 and 2009, in order to mitigate the impact of the global economic slowdown, the PRC government has adopted measures to encourage development and consumption in the residential property market. These policies may not necessarily have a positive effect on our operations and our future business development. Starting from late 2009 till the end of 2012, the PRC government has revised or terminated such favorable policies according to changes in market conditions and adopted certain new policies to cool down the property market, including without limitation:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;
- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers;

- increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases with a minimum lending interest rate of at least 110% of the benchmark rate;
- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting non-residents who cannot provide proof of local tax or social security payments for more than a specified time period from purchasing any residential properties;
- levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase;
- launching new property tax schemes in certain cities such as Shanghai and Chongqing on a trial basis, levying property tax on part of individual residential properties in these two cities;
- urging provincial governments to implement home purchase restrictions to control property prices, and listed certain criteria for the implementation of restrictions, and in the second half of 2011, extending such home purchase restrictions to certain second-tier cities in addition to the first- and second-tier cities which have already adopted home purchase restriction measures;
- strictly enforcing the idle land related law and regulations; and
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties.

On February 20, 2013, the PRC State Council announced five measures on the control of the PRC property market, including: (1) stabilizing property prices. Each major city in China is required to compile and announce its target for 2013 on how to control the prices of newly completed commodity properties; (2) strictly limiting speculative purchase of properties. Restrictions on purchasing commodity properties should be strictly implemented; expanding the scope of experimental taxation against residential properties held by individuals; (3) increasing the supply of small to medium-sized commodity properties and lands; (4) accelerating the construction of housing for low-income individuals; and (5) strengthening the supervision of the market.

On March 1, 2013, the State Council issued the Notice on Continuing Adjustment and Control of Property Markets (關於繼續做好房地產市場調控工作的通知) which, among other restrictive measures, provides that further restraining measures are to be adopted to strengthen the regulation of the real estate market. Major cities which have implemented the commodity housing purchase restrictions are required to enforce purchase restrictions in all administrative areas of cities and restricted housing are to include new commodity housing and second-hand housing. Non-local residents who have one or more residential property and fail to provide one-year or longer tax payment certificates or social insurance payment certificates will be barred from purchasing any residential properties located in the administrative areas subject to restrictions. For cities where housing prices are increasing at an excessively high rate, local branches of the PBOC may further raise the down-payment rate and mortgage interest rate for the purchase of a second residential property. In addition, the Notice stipulates that the state will strictly enforce a 20% tax on profits from sales of homes. Financial institutions, subject to credit requirements being satisfied, will prioritize requests for mortgages for ordinary commodity housing construction projects in which medium and small housing units constitute 70% or more of the total units in such construction project.

These measures may limit our access to capital resources, reduce market demand for our products and increase our operating costs in complying with these measures. We cannot assure you that the PRC government will not adopt additional and more stringent measures, which could further slow down property development in China. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are subject to requirement of public float threshold.

We are required by the Hong Kong Stock Exchange to maintain a minimum public float of 15% of our Shares and as the date of this Offering Circular, the aggregate number of shares held by our Shareholders, excluding any direct and indirect shareholding of our Chairman, Mr. Yan Zhi, was 525,000,000, representing 15.0% of the issued share capital of the Issuer. If we breach such public float threshold, we may be subject to a regulatory investigation by the Securities and Futures Commission of Hong Kong or any other regulatory authority in Hong Kong, and be censured by such regulatory authority. We may incur additional expenses to comply with

such public float requirement and carry out compliance measures in connection with such regulatory investigation. This may have an adverse effect on our financial performance as our business costs will increase.

We currently depend on our North Hankou Project and No.1 Enterprise Community - Wuhan for substantially all of our turnover.

We currently have eight projects, out of which seven are under construction. For the year ended December 31, 2010, 2011 and 2012, we generated 97.5%, 99.4% and 98.1% of our turnover, respectively, from North Hankou Project and No.1 Enterprise Community – Wuhan. As a result, we currently depend on our North Hankou Project and No.1 Enterprise Community – Wuhan for substantially all of our turnover. Upon the occurrence of any event adversely affecting the business and operations of our North Hankou Project or No.1 Enterprise Community – Wuhan, we will not at present have income from other projects or from other regions to mitigate the ensuing losses.

In addition, both of these projects are located in Wuhan, Hubei Province. Having a single revenue source geographically as we currently do may entail a higher level of risk compared with those of our competitors who operate revenue-generating projects in multiple cities and regions. The concentration of our investments in Wuhan makes us highly susceptible to the fluctuations in the economic conditions of Central China and in particular Wuhan. A recession in the economy of Central China or uncertainties regarding future economic prospects of Central China could adversely affect consumer spending power in these areas, which could materially adversely affect our business, financial condition and results of operations.

We may not be able to execute our business strategies successfully.

Our business, financial condition and results of operations substantially depend on the successful execution of our business strategies. As a developer and operator of large-scale consumer products shopping malls, the location of our projects and the customer base for our properties are of particular importance to us. We primarily look for large parcels of land in or close to large cities with appropriate infrastructure and means of transportation and an appropriate level of consumer commerce. We endeavor to attract high-quality purchasers and to attract and retain high-quality tenants for our shopping mall units at favorable prices and rates. As the PRC government has only in recent years started to emphasize the development of a domestic consumption-driven economy, rather than an export-reliant economy, there are uncertainties about whether such a national economic development model will actually be successful. Its failure would undermine our implementation of our business strategies. If for this or other reasons we are unable to execute our business strategies successfully, our business, financial condition and results of operations may be materially and adversely affected.

Our future development plans and strategy of replicating our business model in other geographical areas may not succeed.

Currently our major projects, namely, the North Hankou Project and the No.1 Enterprises Community – Wuhan, are situated in Wuhan. We intend to replicate our business model of North Hankou Project and No.1 Enterprise Community – Wuhan to other regions in China. In 2012, we started construction of certain new projects, including our No.1 Enterprise Community – Changsha and Shenyang Salon. In addition, we entered into master cooperation or investment agreements with various government authorities to develop similar projects in Xiangyang, Hubei Province and Tianjin.

Our experience in designing, constructing and operating our North Hankou Project and No.1 Enterprise Community – Wuhan in Wuhan may not be applicable in other regions. We cannot assure you that we will be able to leverage such experience to expand into other parts of China. When we enter into new markets, we may face intense competition from property developers with local industry experience or have established presence in the geographical areas to which we plan to expand and from other property developers with similar expansion targets. Furthermore, expansion or acquisition requires a significant commitment of capital resources, which may divert our available resources and the attention of our management from our existing projects or other matters important to us. Also, we may not be able to anticipate and resolve all problems that may occur during our expansion, and any failure to do so may render us unable to develop our projects as planned, which may in turn have a material and adverse effect on our business, financial condition and results of operations.

If we are unable to obtain land use rights for our planned projects for future development, including various projects in Wuhan, Xiangyang, Tianjin and Shenyang, we will not be able to develop these planned projects.

We entered into master, cooperation or investment agreements with various competent government authorities in China to develop projects in Wuhan, Xiangyang, Tianjin and Shenyang. Pursuant to these master, cooperation and investment agreements, the relevant government authorities have identified lands that are suitable to our development plans in these locations. However, as advised by our PRC legal advisors, King & Wood

Malleasons, all these master, cooperation and investment agreements are letters of intent only and not legally binding, and in each and every case the signing of these master, cooperation or investment agreements does not guarantee that we will obtain the land use rights of the land identified therein, which, rather, will only be granted through public tender, auction or listing for sale. We cannot assure you that we will be successful in our bidding for the plots of land in Wuhan, Xiangyang, Tianjin or Shenyang, or that we will be able to obtain such plots of land at our desired price. Likewise, we cannot assure you that the relevant land administration authorities will grant us the appropriate land-use rights or issue the relevant land use rights certificates in a timely manner or at all. If we are not successful in our bidding for the plots of land or fail to obtain land use rights for all or any portion of such plots of land, we will not be able to develop our projects in Wuhan, Xiangyang, Tianjin or Shenyang as planned.

We may not be able to obtain adequate funding to complete property projects currently under development or planned for future development.

Property development is capital intensive. We historically have financed our property projects primarily through a combination of internally generated funds, external financing including bank borrowings and funds raised from capital markets, such as our initial public offering in June 2011. Our ability to procure adequate financing for land acquisition and property development depends on a number of factors beyond our control, including general economic conditions in the PRC, performance and outlook of the property development industry in the PRC, our financial strength and performance, availability of credit from financial institutions, and regulatory measures instituted by the PRC government. We cannot assure you that we will be able to meet our sales targets or that we will be able to secure external financing on terms acceptable to us or at all. As a result, we may not be able to raise adequate funds for our operations in the future. As of December 31, 2012, our total bank loans and loan from other financial institution amounted to approximately RMB2,971.7 million (US\$477.0 million).

The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premium;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local regions;
- in minimum down payment of land premium of 50% must be paid within one month after the signing of a land grant contract and the rest of the land premium must be fully paid within one year after the signing of a land grant contract; and
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties..

In addition, the PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financings from PRC commercial banks. The PBOC has adjusted the bank reserve requirement ratio six times in 2010, seven times in 2011 and twice in 2012. The reserve requirement ratio for commercial banks currently ranges from 16.5% to 20% with effect from May 18, 2012.

We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financings to finance our property developments and, therefore, may require us to maintain a relatively high level of internally sourced cash. We cannot assure you that we will be able to obtain adequate financing or renew our existing credit facilities. As a result, our business, financial condition and results of operations may be materially and adversely affected.

The PRC government may impose fines or other penalties on us if we fail to comply with the terms of the land grant contracts.

Under PRC laws and regulations, if a property developer fails to comply with the terms of the land grant contract, including those relating to the payment of land premiums and other fees, scope of usage of the land and

schedule for commencement and completion of the property development, the PRC government may issue a warning to or impose fines or other penalties on the developer. Specifically, under current PRC laws and regulations, if a developer fails to commence development for more than one year from the commencement date stipulated in the land grant contract, the Ministry of Land and Resources of the PRC (the “MLR”) or its local branches may launch an investigation in respect of idle land. Upon the investigation, if the MLR or its local branches prove the land to be idle land, they will issue the “Letter of Identification of Idle Land” and impose an idle land fee on the land of 20% of the land premium specified in the contract. If a developer fails to commence development for more than two years from the commencement date stipulated in the land grant contract, the land may be subject to reclamation by the PRC government unless the delay in development is caused by governmental actions or force majeure. In addition, even if the commencement of the development is in line with the relevant land grant contract, the land will nonetheless be treated as idle land if (i) the developed GFA on the land is less than one-third of the total GFA of the project, and (ii) the development of the land has been suspended for over one year without governmental approval.

We cannot assure you that regulations relating to idle land in China will not become more restrictive in the future. If we fail to comply with the terms of land grant contracts due to our delay of project development schedules, or as a result of factors out of our control, we may not only lose the opportunity to develop the projects on such land, but may also lose all of our past investments in the land, and such loss would materially and adversely affect our business, financial condition and results of operations.

We face competition from other commercial property developers in China for land and customers.

We face competition from other large-scale wholesale shopping malls developers in China, particularly in or near our principal operating regions in Wuhan. In Central China, there are many wholesale malls that deal in the same or similar merchandises as we do or merchandise categories that we intend to expand into. These competitors include Changsha Gaoqiao Market (長沙高橋大市場) and Changsha Sanxiang Nanhu Market (長沙三湘南湖大市場) in Changsha, Hunan Province, Anhui Baima Apparel City (安徽白馬服裝城) in Hefei, Anhui Province, Nanchang Hongcheng Market (南昌洪城大市場) in Nanchang, Jiangxi Province, and Zhengzhou Yinji Apparel Market (鄭州銀基服裝市場) in Zhengzhou, Henan Province. In addition, in the Panlongcheng Economic and Technology Development Zone of Wuhan where our North Hankou Project is situated, there are other wholesale markets under development or proposed for future development by other property developers and operators, which may compete with us upon the completion of those wholesale markets. The level of competition in the wholesale shopping mall market will increase as new players enter the market.

In the business park property development market, we face competition from integrated corporate real estate developers in China. Such competitors may develop business park properties that offer more amenities, convenience and attractions than our No.1 Enterprise Community –Wuhan. As the overall economy develops further in China, the need for business parks in various cities in China will increase, and the competition for business opportunities in the business park sector will also increase. We may not have any competitive edge in other cities in China.

We compete with our competitors on a range of factors, including location, transportation, infrastructure, government tax and other incentives, design, project quality, maintenance and supporting services. We also compete on sales prices, rental rates and other terms. Many of our competitors in China may have a longer history of operations, with substantially more financial resources and operational experience. Existing and prospective customers may consider our competitors’ properties, whether wholesale shopping malls or other properties, to be superior. As a result, we may lose current and potential tenants to our competitors and experience difficulty renewing leases or re-letting properties, or be forced to reduce our rents or incur additional costs in order to make our properties more attractive vis-à-vis those of our competitors. If we are unable to compete effectively and consistently, our occupancy rates may decline, which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to acquire suitable sites for our development at reasonable prices, or at all.

Our ability to generate sustainable turnover and growth for our business depends partially on our ability to identify and acquire suitable sites for future development projects at reasonable prices. There is limited supply of suitable land available for development in any city in China, including Wuhan and other cities we plan to expand to, and there has been an increase in land acquisition costs in many such cities in recent years. We also face strong competition from other developers for sites we may target to acquire. Therefore, we cannot assure you that we will be able to continue to acquire suitable sites for our future development projects at reasonable prices, or at all.

The PRC government controls substantially all the supply of land in China available for development, and regulates various aspects of the process through which land is acquired and developed. Thus the PRC government's land policies have a direct impact on our ability to acquire land use rights for development and our costs of acquisition. In recent years, the PRC central and local governments have implemented various measures to regulate the means by which property developers obtain land for property development. The PRC government also controls land supply through zoning, land usage regulations and other means. The various PRC regulatory measures have further intensified the competition for land in China among property developers. In order to gain advantage in securing land parcels for our development, we may, from time to time, be required to pay deposits or advance payments pursuant to certain memoranda of understanding and other arrangements in an attempt to acquire land. Such arrangements do not constitute land grant contracts, and our payments or deposits are unsecured and paid to counter-parties who we believe may represent the government agencies in charge. If a land acquisition fails to materialize, we are in principle entitled to a refund of our payments or deposits pursuant to these memoranda of understanding and arrangements. However, the timeframe and method for the refund are not specified, and there is no mechanism in place to prevent any misuse of these funds by the counter-parties or to ensure funds will be available when the refund is due. If our counter-parties default on their obligations to refund our payments or deposits, our business, financial condition and results of operations may be materially and adversely affected. If we fail to acquire sufficient land reserves suitable for development in a timely manner and at acceptable prices, or further changes in government policy with regard to land supply and development lead to increases in our costs of acquisition and limit our ability to acquire land at reasonable prices, our competitive position, business strategies, prospects and performance may be materially and adversely affected.

Our business will be adversely affected if we fail to obtain, or experience material delays in obtaining, necessary governmental approvals for any major property development.

The real estate industry in China is strictly regulated by the PRC government. Property developers must comply with various laws and regulations of the PRC government, including rules issued by local governments to enforce these laws and regulations. To develop and complete a property project, a property developer must obtain various licenses, permits, certificates and other approvals from relevant governmental and administrative authorities during various stages of the property development, including but not limited to, land use rights certificates, construction land planning permits, construction works planning permits, construction permits, certificates of completion, pre-sale permits, and property ownership certificates. Each approval is contingent upon the satisfaction of various conditions, which are often subject to the discretion of relevant government officials and subject to change due to new laws, regulations and policies, especially those with respect to the real estate and consumer products wholesale markets, promulgated from time to time.

We cannot assure you that we will be able to fulfill all the conditions necessary to obtain the required government approvals, or that relevant government officials will always, if ever, exercise their discretion in our favor, or that we will be able to adapt to any new laws, regulations and policies. There may also be delays on the part of government authorities in reviewing our applications and granting approvals, whether due to the lack of human resources or the imposition of new rules, regulations, government policies or their implementation, interpretation and enforcement. If we are unable to obtain, or experience material delay in obtaining, necessary government approvals, our operations may be substantially disrupted, which would materially and adversely affect our business, financial condition and results of operations.

Our plan to develop Zall Center is subject to the conversion of land use from industrial uses to commercial uses.

We acquired the land use right of a parcel of land with a total site area of approximately 1,478 sq.m., and the property ownership of a building on this parcel of land in April 2008 and four buildings on the land adjacent to this parcel of land with a total GFA of approximately 8,970 sq.m. in November 2010, all in Jiang'an district, Wuhan, Hubei Province. We plan to develop a property named Zall Center (卓爾中心) on the aforementioned lands after demolition of the existing buildings. However, the aforementioned lands were designated for industrial uses.

To complete the conversion of use of land, we are required under PRC laws to submit applications to the local land and resources bureau and carry out necessary regulatory procedures to obtain land use rights, including acquisition of land through public tender, auction or listing-for-sale, entry into land grant contracts and payment of land premium. We are currently applying for such conversion. However, we cannot assure you that we will successfully convert the use of land. If we are not able to convert the aforementioned lands into commercial land, we would not be able to sell the existing buildings or generate any income through leasing of the existing building or constructing the proposed Zall Center on the aforementioned lands. As a result, our future business, financial condition and results of operations may be adversely affected.

We may be unable to sublease the wholesale shopping mall units we lease from relevant purchasers and such initial sale and subsequent lease arrangements may be affected by changes in PRC laws and regulations.

In order to accommodate the bulky nature of hotel products and supplies which require more space compared to other products sold in our other malls, and in order to enhance utilization of wholesale shopping malls units purchased by our customers who do not run merchandising businesses on their own, we have leased certain units on the third floor of the hotel products and supplies mall in our North Hankou Project from the relevant purchasers of such units since October 2009, and subsequently subleased such units to tenants engaged in the merchandising business. In the future, we may continue to enter into such lease arrangements with property owners. However, we cannot assure you that we can successfully sublease the units we lease back from the relevant purchasers at higher rental rates or can sublease them at all. If we are not able to sublease the units we lease back, we would need to pay the rental fees to the relevant purchasers at our cost. As a result, our future business, financial condition and results of operations may be adversely affected.

Our initial sale and subsequent lease arrangements may be affected by changes in PRC laws and regulations. In the event that changes in PRC laws and regulations result in our initial sale and subsequent lease arrangements being deemed as “after-sale lease guarantees” or “after-sale lease guarantee(s) in covert form”, pursuant to the Regulatory Measures on the Sale of Commodity Properties (商品房銷售管理辦法) (the “**Regulatory Measures**”) promulgated by the Urban and Rural Construction of the PRC which became effective on June 1, 2001, or otherwise prohibited. It is unlikely that the existing lease agreements will be revoked by the relevant authorities. However, we cannot assure you that there will be no interpretation of, change in or additional requirements under the applicable PRC laws and regulations which may affect our existing or future lease agreements with property owners. As a result, we may be unable to continue to enter into such lease arrangements with property owners or may be subject to penalties in connection with our existing lease arrangements with property owners, and therefore our future business, financial condition and results of operations may be materially and adversely affected.

We may be unable to obtain, extend or renew qualification certificates for real estate development.

As a precondition to engaging in real estate development in China, a property developer must obtain a qualification certificate and renew it on an annual basis unless the rules and regulations allow for a longer renewal period. According to the current PRC regulations on qualification of property developers, a newly established property developer must first apply for a provisional qualification certificate with a one-year validity, which can be extended for a maximum of two years. If the newly established property developer fails to commence a property development project within the one-year period when the provisional qualification certificate is in effect, it will not be allowed to extend its provisional qualification certificate. More established property developers must also apply for renewal of their qualification certificates on an annual basis. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. We may not be able to obtain the qualification certificates in a timely manner, or at all, as and when they become due to expire. If we do not possess valid qualification certificates, the government may refuse to issue pre-sale and other permits necessary for our property development business. In addition, the government may impose a penalty on us and our project companies for failure to comply with the relevant licensing requirements. If we are unable to meet the relevant requirements, and therefore unable to obtain or renew the qualification certificates or pass the annual verification, our business and financial condition could be materially and adversely affected.

Our results of operations fluctuate from period to period and the increase in the fair value of our investment properties contributed significantly to our profit.

We recorded profit of RMB633.2 million, RMB1,183.9 million and RMB1,169.0 million (US\$187.6 million) for the years ended December 31, 2010, 2011 and 2012, respectively. Our results of operations fluctuated historically and may fluctuate from period to period in the future, depending on the aggregate GFA we sell during each period, among other factors. The fair value of our investment properties also tends to fluctuate from time to time. The proportion between properties held for sale and our investment properties held for leasing will necessarily affect our results of operations from period to period. The number of consumer product sectors that we develop at a wholesale shopping mall within any given period is limited by the intensive capital requirements for land acquisition and preparation and construction as well as the lengthy period of time required before positive cash flow may be generated. Rental rates also vary among the various markets according to dates of completion, in addition to market demand, because we typically offer tenants in newly completed units preferential rates and rate-free periods as promotional incentives.

We are required to reassess the fair value of our investment properties at every balance sheet date for which we issue financial statements. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our income statements in the period in which they arise. The fair value gains or losses in our investment properties do not, however, change our cash position as long as the relevant investment properties are held by us and, therefore, do not increase our liquidity in spite of the increased profit. For the years ended December 31, 2010, 2011 and 2012, we had fair value gains on our investment properties and non-current assets classified as held for sale and fair value gain upon transfer of completed properties held for sale to investment

properties of RMB626.6 million, RMB255.9 million and RMB697.4 million (US\$111.9 million), respectively. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. We cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties at the previous levels or at all, or that the fair value of our investment properties will not decrease in the future. Any significant decreases in the fair value of our investment properties may materially and adversely impact our profitability.

Investment properties are illiquid.

We currently hold a limited portfolio of investment properties, primarily properties we have developed and decided to keep for leasing purposes. We plan, however, to increase the ratio of such investment properties in the projects we are currently developing and those we will develop. In general, investment in real properties is relatively illiquid compared with other forms of investment. Economic conditions may change that could force us to consider disposing of our investment properties or some of them. Our ability, however, to sell any of our investment properties in response to changing economic, financial and investment conditions on a timely basis, or at all, is limited. Furthermore, we cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, or at all. We cannot predict the length of time needed to find a purchaser and to complete the sale of a property we currently hold or plan to hold for investment purposes. Moreover, should we decide to sell a property subject to a tenancy agreement, we will have to obtain consent from or pay termination fees to our tenant.

In addition, investment properties may not be readily convertible to alternative uses if they become unprofitable due to increased competition, decreased demand, age, appearance or other factors. The conversion of investment properties to alternative uses generally requires substantial capital expenditures. We may be required to expend funds on maintenance or improvements before a property may be sold, and we may not have sufficient funds for such purposes. Such factors may impede our ability to respond to adverse changes in the performance of our investment properties, adversely affect our ability to retain tenants, and materially and adversely affect our business, financial condition and results of operations.

We experienced net cash outflows from operating activities.

The cash flow and results of operations of our operating subsidiaries will affect our liquidity and our ability to service our indebtedness. For 2011 and 2012, we had cash outflows from operating activities of RMB477.7 million and RMB1,213.6 million (US\$194.8 million), respectively.

A negative operating cash flow may impair our ability to make necessary capital expenditures, develop business opportunities or make strategic acquisitions and also requires us to obtain cash from other sources, such as debt or equity financing to meet our cash needs. If we are unable to meet our debt and interest repayment obligations, our creditors could choose to demand immediate repayment, which could result in a complete loss of investment for our shareholders if we are not able to repay such obligations, the result of which could materially and adversely affect our business and results of operations.

We maintain a certain level of indebtedness and a deterioration of our cash flow position could adversely affect our ability to service our debt and to continue our operations.

We have incurred, and may continue to incur, indebtedness to finance our developments and working capital, and therefore face risks normally associated with debt financing, including refinancing risks and foreclosure risks. As of December 31, 2012, our total outstanding bank loans and loan from other financial institution amounted RMB2,971.7 million (US\$477.0 million). In addition to bank loans, we rely on pre-sale proceeds from purchasers of our properties as a significant source of funding for our operations, including servicing our debt. If our pre-sales or our use of such pre-sale proceeds are significantly restricted or otherwise materially adversely affected as a result of any change in relevant PRC rules and regulations, our cash flow position and our ability to service debt may be materially and adversely affected. In addition, if major commercial banks decline to provide additional loans to us or to re-finance our existing loans when they mature as a result of our perceived credit risk, and if we fail to raise financing through other channels, our financial condition, cash flow position and our business prospects may be materially and adversely affected.

Our profitability and results of operations are affected by changes in interest rates.

Changes in interest rates have affected and will continue to affect our financing costs and, ultimately, our results of operations. The interest rates on our Renminbi bank borrowings are primarily affected by the benchmark interest rate set by the PBOC, which has fluctuated significantly in recent years. The PBOC benchmark one-year lending rates in the PRC (which directly affects the property mortgage rates offered by commercial banks in the

PRC) as of December 2010, 2011 and 2012 were 5.81%, 6.56% and 6.00%, respectively. On July 6, 2012, the PBOC reduced the benchmark one-year lending rate by 31 basis points to 6.00%. In 2010, 2011 and 2012, our interest expenses and other eligible borrowing costs capitalized in the properties under development and investment properties was RMB17.8 million, RMB62.7 million and RMB159.3 million (US\$25.6 million), respectively. In addition, changes in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which, in turn, may affect their ability to purchase our properties. We cannot assure you that the PBOC will not increase lending rates further or otherwise discourage bank lending or that our business, financial condition and results of operations may not be materially and adversely affected as a result.

We guarantee mortgage loans to our customers and consequently are liable to the mortgagee banks if our customers default on their mortgage payments.

As we pre-sell properties before their actual completion of construction, in accordance with industry practice in China, PRC banks require us to guarantee the mortgage loans of purchasers of our properties. According to market practice, PRC banks require that we guarantee these mortgage loans until the relevant property ownership certificates are issued, which generally takes place within three to six months after we deliver possession of the relevant property to the purchasers, at which time such guarantees are released. If a purchaser defaults on a mortgage loan, we may have to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and simply rely on the credit checks conducted by the mortgagee banks.

As of December 31, 2010, 2011 and 2012, our outstanding guarantees in respect of the mortgage loans of our customers amounted to RMB489.4 million, RMB998.8 million and RMB1,575.5 million (US\$252.9 million), respectively. Although we have historically experienced a low rate of defaults on mortgage loans guaranteed by us, we cannot assure you that such purchaser default rates will not increase in the future. If such default occurs and our relevant guarantee is called upon, our financial condition and results of operations will be adversely affected to the extent that there is a material depreciation in the value of the related properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

We have limited insurance to cover our potential losses and claims.

We do not carry insurance against all potential losses or damages with respect to our properties before their delivery to customers other than those buildings over which our lending banks have security interests and for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not maintain insurance coverage against liability arising from personal injuries or other tortious acts related to construction of our projects. We believe that such liabilities should be borne by construction companies. However, we cannot assure you that we would not be sued or held liable for damages due to any such personal injuries and other tortious acts. Moreover, our business may be adversely affected due to the occurrence of natural disasters and other unanticipated catastrophic events, with respect to which we do not carry any insurance. Also, there are certain losses for which insurance is not available on commercially practicable terms, such as losses suffered due to earthquake, nuclear contamination, typhoon, flooding, war and civil disorder. If we suffer from any losses, damages or liabilities in the course of our operations and property development, we may not have sufficient financial resources to cover fully such losses, damages or liabilities or to replace any property development that has been destroyed, and may lose all or a portion of our invested capital in the affected properties and anticipated future income from such properties. Any such material uninsured loss could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to complete our development projects on budget or on schedule, or at all.

Development of large-scale real estate projects, such as our wholesale shopping mall, involves a complex process that lasts for a long period of time and contains many inherent risks that could prevent the development from completion as originally planned. Substantial capital expenditures are required prior to and during the construction period, and the construction of such a project may take several years before it may generate positive cash flow through pre-sales or sales. The progress and cost for a large-scale development project can be adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from government agencies or authorities;
- relocation of existing residents and/or demolition of existing structures;
- shortages of materials, equipment, contractors and skilled labor;

- availability and cost of financing;
- failure of contractors or suppliers to provide products and services as anticipated, due to financial difficulties or other reasons;
- labor disputes;
- construction accidents;
- natural catastrophes;
- adverse weather conditions; and
- changes in government policies.

We have obtained certain parcels of land for future development (located within North Hankou Project, No.1 Enterprise Community – Wuhan, Zall Zhujinyuan Residences and Zall Hupan Haoting Residences, and having an aggregate site area of approximately 811,402 sq.m.) which we had not developed according to the schedules set forth in the related land grant contracts. Our delay in commencing the development is considered to be caused by the site preparatory work necessary for commencing project development, and therefore, as advised by our PRC legal advisers, King & Wood Mallesons, based on the confirmation letter issued by Land Resources and Planning Bureau of HuangPi District, Wuhan (武漢市黃陂區國土資源和規劃管理局), neither penalties nor administrative sanctions would be imposed on us, nor would the land use right on the relevant land parcels granted to us be revoked. However, we cannot assure you that we will not experience any other significant delays in completion or delivery of our projects, or that we will not be subject to any liabilities for any such delays. Liabilities arising from any delays in the completion or delivery of our projects may have a material adverse effect on our business, financial condition and results of operations.

Our failure to meet all the requirements for the delivery of completed properties and issuance of property ownership certificates may render us liable to compensate our customers.

Once a property project has passed the requisite completion inspections, we are required to deliver such completed properties to our purchasers within the timeframe provided in the property sale and purchase agreements. We may become liable to our purchasers for monetary penalties for delays in property delivery in such circumstances. This may have an adverse impact on our reputation and business operations.

Under the current PRC regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration within 30 days after the receipt of the certificate of completion for the relevant properties, and to apply for the general property ownership certificates in respect of these properties. We are then required, within stipulated periods after delivery of the properties, to submit the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, and the general property ownership certificate, for the bureau's review and issuance of the individual property ownership certificates in respect of the properties to the individual purchasers. Delay by any of the various administrative authorities in reviewing the relevant applications and granting approval as well as other factors may affect the timely delivery of the general as well as individual property ownership certificates. We may become liable to purchasers for monetary penalties for any late delivery of the individual property ownership certificates, which may be caused by delays in the administrative approval process or other reasons beyond our control. While we have not experienced any delays in relation to delivery of completed properties or issuance of property ownership certificate to date, we cannot assure you that such delays will not occur with respect to our property projects in the future. In the event of serious delays on one or more property projects, our business and reputation would be adversely affected.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries

We are a holding company that is financially dependent on distributions from our subsidiaries and our business operations are principally conducted through our PRC subsidiaries. The EIT Law and the implementation regulations to the EIT Law issued by the PRC state council, which became effective on January 1, 2008, provide that any dividend payment from a PRC resident enterprise to foreign enterprise investors are subject to a

withholding tax at a rate of 10%. Pursuant to the Arrangement Between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006, a company incorporated in Hong Kong may be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in that particular PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% interest in that subsidiary, although there is uncertainty under a State Administration of Taxation circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. Many of our PRC subsidiaries are currently wholly owned by Hong Kong subsidiaries. However, according to the Circular of State Administration of Taxation on Printing and Issuing the Administrative Measures (Trial) for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (國家稅務總局關於印發〈非居民享受稅收協定待遇管理辦法(試行)〉的通知), which became effective on October 1, 2009, the 5% withholding tax rate does not automatically apply and approvals from competent local tax authorities are required before an enterprise can enjoy any benefits under the relevant taxation treaties. Moreover, according to a tax circular issued by the State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will grant approvals on the 5% withholding tax rate on dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries. In addition, 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. Because the application of the EIT Law is unclear in some respects, and because such law may be changed in the future, comparisons between our past financial results may not be meaningful and should not be relied upon as indicators of our future tax liability. If changes in the tax laws 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 subject to higher LAT rates in the future.

In accordance with the provisions of the LAT Regulation, all persons including companies and individuals that receive income from the sale or transfer of state-owned land use rights, buildings and their attached facilities must pay LAT at 30% to 60% on any appreciation gain in respect of the land and improvements on such land, with certain exemptions available for the sale of ordinary residential properties if the appreciation amounts do not exceed 20% of the deductible expense items as defined in the LAT Regulation. Sales of commercial properties and luxury residential properties are not eligible for such exemption. In addition, certain of our subsidiaries were subject to LAT calculated based on 3% to 7% of their revenue in accordance with the authorized tax valuation method approved by relevant local tax authorities. We have been prepaying LAT with reference to our pre-sale proceeds. We have made LAT provisions of RMB27.3 million, RMB199.8 million and RMB111.6 million (US\$17.9 million) during the years ended December 31, 2010, 2011 and 2012, respectively. Such LAT provisions are recorded under “current taxation” on our consolidated statements of financial position. The PRC authorities may use different methods to assess our LAT obligations in the future. As a result, we may be subject to higher LAT rates, which may have an adverse effect on our financial condition.

Our success depends on the continued service of our senior management team and other key personnel, and our ability to attract and retain qualified management personnel.

Our success depends on the continued service provided by our executive Directors and members of our senior management. Competition for talented employees is intense in the PRC commercial property industry. We are particularly dependent on Mr. Yan as well as other senior management members for their vision to lead our Company and their industry knowledge and relationships that are crucial to our business and operations. If we lose the services of any core management team member and fail to find a suitable substitute, our business will be adversely impacted. Moreover, our success also depends on our ability to identify, hire, train and retain qualified employees with the requisite industry expertise. If we cannot attract and retain suitable human resources, our business and future growth will be negatively affected.

Our controlling shareholder, Mr. Yan Zhi, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions.

As of December 31, 2012, approximately 85% of our outstanding shares were beneficially owned by Mr. Yan Zhi, our founder and chairman of our Company. Subject to compliance with applicable laws, by maintaining such ownership, Mr. Yan Zhi is able to exercise substantial influence over our corporate policies and our business,

appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals and interests of Mr. Yan Zhi 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 cannot assure you that our controlling shareholders will act completely in the interests of the holders of the Bonds or that possible conflicts of interest will be resolved in favor of the holders of the Bonds.

We may be adversely affected by the performance of third-party contractors.

We employ third-party contractors to carry out various tasks, including design, pile setting, foundation digging, construction, equipment installation, internal decoration, electromechanical engineering, pipeline engineering and elevator installation. We select third-party contractors by inviting contractors of known repute and satisfactory prior dealings with us to bid on our projects. We endeavor to employ companies with good reputation, credibility and financial resources, but we cannot guarantee that any such third-party contractor will provide satisfactory services and at the required level of quality. Moreover, the completion of our property developments may be delayed and we may incur additional costs due to a contractor's financial or operational difficulties. Even though we prohibit our contractors from sub-contracting or assigning our construction work without our consent, our contractors may undertake projects from other developers or engage in risky undertakings or otherwise encounter financial or other difficulties, which may cause delay in the completion of our property projects or increase our project development costs and risks. The services rendered by any of these independent contractors may not always be satisfactory or match our quality requirements. Any of these factors could have a negative impact on our reputation, financial position and business operations.

Increases in the price of construction materials and equipment may increase our cost of sales and reduce our gross margins.

Our contractors are responsible for our construction materials and equipment procurement. Certain of our construction contracts do not provide for fixed or capped payments and, therefore, increases in the price of construction materials and equipment could be passed on to us by our contractors.

Any increase in the prices of the construction materials and equipment that are sourced by our construction contractors could increase our development costs and reduce our gross margins to the extent that we are unable to pass these increased costs on to our customers. In such a scenario, increases in the prices of construction materials and equipment could have an adverse effect on our results of operations, financial condition and business prospects.

We may be subject to liability for environmental violations.

We are subject to a variety of environmental laws and regulations in China during the construction of our development projects. Environmental laws and regulations may cause us to experience development delays, incur substantial compliance costs, and be unable to conduct development activities in environmentally sensitive regions and areas. As required by PRC laws and regulations, we have engaged independent environmental consultants to conduct environmental impact assessments for all of our development projects. The environmental investigations conducted to-date have not revealed environmental violations that would be expected to have a material adverse impact on our business, financial condition and results of operations. It is possible that these investigations did not reveal all potential environmental violations or their full magnitude, and that there are material environmental liabilities of which we are unaware. We cannot assure you that our procedures will be effective in fully preventing non-compliance in the environmental area. If any portion of our development projects is found to be non-compliant with certain environmental laws or regulations, or if we are unable to obtain necessary environmental licenses or approvals, we may be subject to suspension of our operations or a portion of our operations as well as fines and other penalties, which may materially and adversely affect our business, reputation, financial condition and results of operations.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may from time to time be involved in disputes with various parties involved in the development, sales, leasing and management of our properties, including contractors, suppliers, construction workers, purchasers and tenants. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs to our operations, and diversion of our management's attention. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. We cannot assure you that we will not be so involved in any major legal proceedings in the future.

We may not be able to successfully manage our growth.

We have been rapidly expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We will need to further strengthen our financial reporting, internal audit, disclosure control, internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

The PRC government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised outside of China in our business in the PRC.

On June 18, 2008, MOFCOM promulgated the “Notice on Better Implementation of the Filing of Foreign Investment in the Real Estate Industry” (關於做好外商投資房地產業備案工作的通知), according to which, MOFCOM authorizes provincial departments in charge of commerce to verify the record-filing materials of property development projects with foreign investment.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner, or at all.

Risks relating to the PRC

China’s economic, political and social conditions could have a material adverse effect on our business, financial condition and results of operations.

The PRC economy differs from most developed economies in many respects, including a higher level of government involvement, the on-going development of a market-oriented economy, a rapid growth rate, a higher level of control over capital flows and foreign exchange, and the less efficient allocation of resources. While the PRC economy has experienced significant growth since the late 1970s, the growth has been uneven, both geographically and among sectors of the economy. The PRC government has implemented various measures to encourage economic growth and to guide the allocation of resources. These measures are intended to benefit the overall PRC economy, but may nevertheless put us at a disadvantage. For example, our business, financial condition and results of operations may be adversely affected by PRC government control over land supply, capital investments and tax regulations that are applicable to us.

The PRC economy has been in transition from a centrally-planned economy to a more market-oriented economy. The PRC government continues to play a significant role in regulating industrial development by imposing industrial policies and various directives. The PRC government also exercises significant control over China’s economy through allocating resources, restricting capital flow and foreign exchange, setting monetary and fiscal policies, and providing preferential treatment to particular industries and companies. As we conduct substantially all of our business operations in China, our financial condition and results of operations have been and are expected to continue to be affected by the economic, political and social conditions in China.

PRC government’s control of currency conversion may limit our ability to utilize our cash effectively.

Substantially all of our turnover and operating expenses are denominated in Renminbi. Under the current PRC laws and regulations, the Renminbi is freely convertible to foreign currencies with respect to current account transactions, which include ordinary course import and export transactions, payments for services rendered, and payments of license fees, royalties, interest on loans and dividends, but not with respect to capital account transactions, which include cross-border investments and principal repayments on loans. Our PRC subsidiaries currently may purchase foreign currencies for the settlement of current-account transactions, including the payment of dividends to us, subject to a ceiling approved by SAFE. We cannot, however, assure you that the relevant PRC governmental authorities will not further curtail or eliminate the ability of our PRC subsidiaries to purchase and retain foreign currencies in the future. Capital-account foreign-exchange transactions are still subject to strict limitations and require approvals from or registration with SAFE, which could affect our PRC subsidiaries' ability to obtain debt or equity financing from outside China, including by means of loans or capital contributions from us. Since substantially all of our future turnover is expected to be denominated in Renminbi, existing and future restrictions on currency exchange may limit our ability to utilize turnover generated in Renminbi to fund expenditures denominated in foreign currencies.

The PRC legal system contains inherent uncertainties that could negatively impact our business, and the current PRC legal environment could limit the legal protections available to you.

As substantially all of our business operations are conducted in China, such operations are subject to PRC laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior cases have little precedent value in deciding subsequent cases in the civil law system. Additionally, such PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. When the PRC government started its economic reforms in the late 1970s, it began to build a comprehensive system of laws and regulations to regulate business practices and the overall economic order of the country. China has made significant progress in the promulgation of laws and regulations dealing with business and commercial affairs of various participants of the economy, involving foreign investment, corporate organization and governance, commercial transactions, taxation and trade. However, the promulgation of new laws, changes in existing laws and abrogation of local regulations by national laws may have a negative impact on our business and prospects. Additionally, given the involvement of different enforcement bodies in respect of the relevant rules and regulations and the non-binding nature of prior court decisions and administrative rulings, the interpretation and enforcement of PRC laws and regulations involve significant uncertainties under the current legal environment in China. All these uncertainties may limit the legal protections available to investors including you.

Holders of the Bonds may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Substantially all of our operating subsidiaries are incorporated under PRC laws, and substantially all of our assets are located in the PRC. In addition, most of our directors and officers reside within the PRC, and substantially all of their assets are located within the PRC. As a result, it may not be possible to affect service of process in connection with disputes brought in the courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC. Moreover, our PRC counsel has advised us that the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in civil and commercial cases with the United States, the United Kingdom, the Cayman Islands, Japan or most other western countries. Therefore, it may be difficult for you to enforce against us or our directors or officers in the PRC any judgments obtained from non-PRC courts.

Resettlement negotiations may add costs or cause delays to our development projects.

Under PRC laws and regulations, where we are responsible for the demolition of existing properties on a site for development and the removal of existing residents, we will be required to pay resettlement costs to those residents. The compensation payable by us is calculated by applying prescribed formulae provided by the relevant provincial authorities. There is no assurance that the relevant provincial authorities will not change their compensation formulae. If they do, construction costs may be subject to substantial increases which could adversely affect our business, financial condition and results of operations. We currently have four sites which are subject to resettlement requirements.

Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. If the party responsible for the demolition and removal and the party subject to the demolition and removal fail to reach an agreement for compensation and resettlement, either of them may apply for a ruling of the relevant governmental authorities and, if a party is not satisfied with the ruling, it may initiate proceedings in a people's court within three months from the date of service of such ruling, which may cause delays to the development projects. Such proceedings and delays, if they occur, could adversely affect our reputation. In addition, any such

delays to our development projects will lead to an increase in the cost and a delay in the expected cash inflow resulting from rental proceeds (in the case of an investment property) and pre-sales of the relevant project and the recognition of sales as turnover upon completion (in the case of properties for sale), which may in turn adversely affect our business, financial position and results of operations.

Although we take into consideration the difficulties in resettlement compensation negotiations before we enter into such contractual arrangements, the protracted resettlement process may cause delays in the redevelopment projects, and adversely affect our plans to obtain the relevant land use rights or enter into the new markets. In addition, there is no assurance that we will be able to reach agreements for compensation and resettlement for such redevelopment projects on terms satisfactory to us or at all. Moreover, an unfavorable final determination or settlement regarding the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition.

Our operations and financial performance could be adversely affected by labor shortages, increases in labor costs, changes to PRC labor-related laws and regulations or labor disputes.

The PRC Labor Contract Law, which became effective on January 1, 2008, imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations to be based upon seniority and not merit. In the event we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to effect such changes in the most cost effective or timely manner to our business, hence may adversely affect our financial condition and results of operations. In addition, the PRC government has continued to introduce various new labor-related regulations after the promulgation of the Labor Contract Law. Among other things, the paid annual leave provisions require that paid annual leaves ranging from five to fifteen days be available to nearly all employees and further require that employers compensate an employee for any annual leave days the employee is unable to take in the amount of three times such employee's daily salary, subject to certain exceptions.

On October 28, 2010, the Standing Committee of the National People's Congress promulgated the Social Insurance Law, which became effective on July 1, 2011, to clarify the contents of the social insurance system in China. According to the Social Insurance Law and Regulation on Management of Housing Fund, employees will participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance and housing fund and the employers must, together with their employees or separately, pay for the social insurance premiums for such employees.

As a result of the implementation of these and any future rules and regulations designed to enhance the standard for labor protection, our labor costs may continue to increase. Furthermore, as the interpretation and implementation of these new laws and regulations are still evolving, we cannot assure you that our employment practice will at all times be deemed fully in compliance, which may cause us to face labor disputes or governmental investigations. If we are deemed in violation of such labor laws and regulations, we could be subject to penalties, compensations to the employees and loss of reputation, and as a result our business, financial condition and results of operations could be materially and adversely affected.

Further, labor disputes, work stoppages or slowdowns at our operating subsidiaries or project sites or affecting the operations of our business partners could disrupt our daily operation or our expansion plans, which could have a material adverse effect on our business and results of operations.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and the occurrence of epidemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, air and water pollution, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our property development and our sales and marketing, which in turn may adversely affect our financial condition and results of operations.

Risks relating to the Bonds and the Shares

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

Unless and until the Bondholders acquire the Shares upon conversion of the Bonds, 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. Upon conversion of the Bonds, these holders will be entitled to exercise the rights of holders of the Shares only as to actions for which the applicable record date occurs after the date of conversion.

Potential dilution of the ownership interest of existing Shareholders.

The conversion of some or all of the Bonds will dilute the ownership interests of existing shareholders of the Issuer. 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.

We may not have the ability to redeem the Bonds.

Bondholders may require us, subject to certain conditions, to redeem for cash all or some of their Bonds on June 19, 2016 or upon a transaction or event constituting a change of control or delisting as described under the headings "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption at the Option of the Bondholders*" and "*Terms and Conditions of the Bonds — Redemption, Purchase and Cancellation — Redemption for Delisting or Change of Control.*" We 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. Our 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 us would constitute an event of default under the Bonds, which may also constitute a default under the terms of other indebtedness held by us.

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to pay dividends to our shareholders and to satisfy our obligations, including our obligations under the Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). The ability of our 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 our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our 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 us to make payments on the Bonds or the Subsidiary Guarantees or the JV Subsidiary Guarantors (if any) or pay dividends to our shareholders. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Bonds and the obligations of the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any).

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of measurement for investment properties. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends only after they have completed not only the project development, at least the development of a phase or a stand-alone tower or building, and the revenue recognition but also the required government tax clearance and foreign exchange procedures. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% subject to approval by relevant PRC tax authorities, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Bonds, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any), and there

could be restrictions on payments required to redeem the Bonds at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Bonds or the obligations of the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any).

Under PRC regulations, we may not be able to transfer to our PRC subsidiaries proceeds from this offering in the form of a loan, which could impair our ability to make timely payments of principal, under the Bonds and the Subsidiary Guarantees.

According to the existing PRC rules and regulations relating to supervision of foreign debt, loans by foreign companies to their subsidiaries in China, such as our PRC subsidiaries established as foreign-invested enterprises in China, are considered foreign debt, and such loans must be registered with the relevant local branches of SAFE. Such rules and regulations also provide that the total outstanding amount of such foreign debt borrowed by any foreign-invested enterprise may not exceed the difference between its total investment and its registered capital, each as approved by the relevant PRC authorities.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from the commerce department of the local government and registration with the MOFCOM, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation.

Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

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

Because we are incorporated under the laws of the Cayman Islands, an insolvency proceeding relating to us or certain Subsidiary Guarantors, even if brought in other jurisdictions, would likely involve Cayman Islands insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of bankruptcy law in other jurisdictions. In addition, our other Subsidiary Guarantors are incorporated or may be incorporated in the BVI or Hong Kong and the insolvency laws of the BVI and Hong Kong may also differ from the laws of other jurisdictions with which the holders of the Bonds are familiar. We conduct substantially all of our business operations through PRC-incorporated subsidiaries in China. The Subsidiary Guarantors, as equity holders in our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of the PRC in a bankruptcy or insolvency proceeding involving any such PRC subsidiaries. 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. You should analyze the risks and uncertainties carefully before you invest in the Bonds.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the Bonds and the Subsidiary Guarantors' and the JV Subsidiary Guarantors' (if any) obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), respectively depends solely upon the ability of our PRC subsidiaries to obtain and remit sufficient foreign currency to pay dividends to us and, if applicable, to repay shareholder loans. Our PRC subsidiaries must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can

obtain and remit foreign currencies out of China, including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with SAFE. Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on shareholder loans, which may affect our ability to satisfy our debt obligations including the Bonds and the Subsidiary Guarantors' and the JV Subsidiary Guarantors' (if any) obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), respectively.

If we are unable to comply with the restrictions and covenants in our debt agreements, there could be a default under the terms of these agreements, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants or our current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, 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, our 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 our other debt agreements. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

Our operations are restricted by the terms of the Bonds and our other debt agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The Trust Deed and our other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of our subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of our subsidiaries;
- guarantee indebtedness of our subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict our subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

A 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 approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST, we cannot assure you that

we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. We cannot predict whether an active trading market for the Bonds will develop or be sustained.

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

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our 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 our 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. We cannot assure you 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 results of operations, financial condition, future prospects and business strategy of the Issuer could affect the value of the Shares. The trading price of the Shares will be influenced by our operational results (which in turn are subject to the various risks to which its businesses and operations are subject, which are not described herein) and by other factors such as changes in the regulatory environment that may affect the markets in which we operate and capital markets in general. Corporate events such as share sales, reorganizations, 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.

Holders have limited anti-dilution protection.

The Conversion Price will be adjusted in the event that there is a sub-division, consolidation or re-denomination, rights issued, bonus issue, reorganization, 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.

Risks relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the CB Security

Our initial Subsidiary Guarantors do not currently have significant operations.

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee either upon issuance of the Bonds or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. As a result, the Bonds will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Bonds do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Bonds if we are unable to do so.

The security forming the CB Security may in some circumstances be voidable.

All or part of the CB Security may be voidable as a preference under insolvency or fraudulent transfer or similar laws of Hong Kong, the Cayman Islands or the BVI at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Charges of share capital of future Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. If

the pledges of the CB Security were to be voided for any reason, holders of the Bonds would have only an unsecured claim against us and the Chargors.

The value of the CB Security is unlikely to be sufficient to satisfy our obligations under the Bonds.

The CB Security will consist only of the share capital of the initial Subsidiary Guarantors. The ability of the Security Trustee, on behalf of the holders of the Bonds, to foreclose on the CB Security upon the occurrence of an Event of Default (as defined in the Terms and Conditions of the Bonds) or otherwise will be subject to the terms of the CB Security Documents as well as in certain instances to perfection and priority status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Security Trustee or holders of the Bonds will be able to enforce the security interest.

The value of the CB Security in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. No independent appraisals of any of the CB Security have been prepared by or on behalf of us in connection with this offering of the Bonds. Accordingly, we cannot assure you that the proceeds of any sale of the CB Security following an acceleration of the Bonds would be sufficient to satisfy, or would not be substantially less than, amounts due and payable on the Bonds. By its nature, the CB Security, which consists solely of the share capital of any existing or future Subsidiary Guarantor, is likely to be illiquid and is unlikely to have a readily ascertainable market value. Likewise, we cannot assure you that the CB Security will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

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

In certain circumstances (including taking action pursuant to Condition 10 of the Terms and Conditions of the Bonds), each of the Trustee and the Security Trustee may (at its sole discretion) request holders of the Bonds to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes actions on behalf of the holders of the Bonds. Neither the Trustee nor the Security Trustee shall be obliged to take any such actions if not indemnified and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee and the Security Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed constituting the Notes or the CB Security Documents and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

The Subsidiary Guarantees or JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or any JV Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the British Virgin Islands, Hong Kong and other jurisdictions where we and our current and future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) are or may be established, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantor without rendering the guarantee, as it relates to such Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be), voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids a Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be), subordinates such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or holds the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Bonds would cease to have a claim against that Subsidiary Guarantor or JV Subsidiary Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of such Subsidiary Guarantor or JV Subsidiary Guarantor, and would solely be our creditors and creditors of any Subsidiary Guarantors or JV Subsidiary Guarantors (if any) whose guarantees have not been voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Bonds.

USE OF PROCEEDS

We estimate that the net proceeds from this offering of the Bonds (assuming no Option Bonds will be issued by us), after deducting the placing commissions and other estimated expenses payable in connection with this offering, will be approximately US\$97.0 million (approximately RMB604.3 million, which has been translated at the rate of US\$1.00 to RMB6.2301, being the noon buying rate in New York for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2012). We intend to use the net proceeds for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions and, thus, reallocate the use of the proceeds.

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by the PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. On May 18, 2007, the PBOC enlarged, the floating band for the trading prices in the inter-bank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated:

Period	Period end	Noon buying rate		
		Average ⁽¹⁾	High	Low
(RMB per US\$1.00)				
2008.....	6.8225	6.9193	7.2946	6.7800
2009.....	6.8259	6.8295	6.8470	6.8176
2010.....	6.6000	6.7603	6.8330	6.6000
2011.....	6.2939	6.4475	6.6364	6.2939
2012.....	6.2303	6.3085	6.3879	6.2221
December.....	6.2301	6.2328	6.2502	6.2251
2013				
January.....	6.2186	6.2215	6.2303	6.2134
February.....	6.2213	6.2323	6.2438	6.2213
March.....	6.2108	6.2154	6.2246	6.2105
April.....	6.1647	6.1861	6.2078	6.1647
May.....	6.1340	6.1416	6.1665	6.1213

Note:

(1) Determined by averaging the rates on the latest business day of each month during the relevant year, except for monthly arrange rates, which are determined by averaging the daily rates during the respective periods.

Hong Kong

The Hong Kong dollar is freely convertible into other currencies, including the U.S. dollar. Since October 17, 1983, the Hong Kong dollar has been linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of Hong Kong (the “Basic Law”), which came into effect on July 1, 1997, provides that no foreign exchange control policies shall be applied in Hong Kong.

The market exchange rate of the Hong Kong dollar against the U.S. dollar continues to be determined by the forces of supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. In May 2005, the Hong Kong Monetary Authority broadened the 22-year-old trading band from the original rate of HK\$7.80 per U.S. dollar to a rate range of HK\$7.75 to HK\$7.85 per U.S. dollar. The Hong Kong government has indicated its intention to maintain the link within that rate range. Under the Basic Law, the Hong Kong dollar will continue to circulate and remain freely convertible. However, no assurance can be given that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00 or at all.

The following table sets forth the exchange rate of the H.K. dollar against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated:

Period	Period end	Noon buying rate		
		Average ⁽¹⁾	High	Low
(HK\$ per US\$1.00)				
2008.....	7.7499	7.7814	7.8159	7.7497
2009.....	7.7536	7.7513	7.7618	7.7495
2010.....	7.7810	7.7692	7.8040	7.7501
2011.....	7.7663	7.7793	7.8087	7.7634
2012.....	7.7507	7.7569	7.7699	7.7439
December.....	7.7507	7.7501	7.7518	7.7493
2013				
January.....	7.7560	7.7530	7.7585	7.7503
February.....	7.7546	7.7552	7.7580	7.7531
March.....	7.7629	7.7592	7.7640	7.7551
April.....	7.7606	7.7631	7.7652	7.7606
May.....	7.7625	7.7614	7.7639	7.7587

Note:

(1) Determined by averaging the rates on the latest business day of each month during the relevant year, except for monthly arrange rates, which are determined by averaging the daily rates during the respective periods.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our borrowings and capitalization as of December 31, 2012 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds after deducting the placing commissions and other estimated expenses of the Bonds payable by us (assuming no Option Bonds will be issued by us). The following table should be read in conjunction with our published audited consolidated financial statements and the notes thereto.

	As of December 31, 2012			
	Actual		As adjusted	
	(RMB'000)	(US\$'000)	(RMB'000)	(US\$'000)
Current bank loans and loan from other financial institution	545,160	87,504	545,160	87,504
Long-term borrowings ⁽¹⁾				
— Non-current bank loans and loan from other financial institution	2,426,540	389,487	2,426,540	389,487
— Bonds to be issued, net of placing commissions and other estimated expenses	-	-	604,345	97,004
Sub-total	2,426,540	389,487	3,030,885	486,491
Total equity ⁽²⁾	5,418,913	869,795	5,418,913	869,795
Total capitalization ⁽³⁾	7,845,453	1,259,282	8,449,798	1,356,286

Notes:

- (1) We have, since December 31, 2012, in the ordinary course of business, entered into additional financing arrangements to finance our property developments for general corporate purposes. As of April 30, 2013, we had bank loans and loan from other financial institution (including current and non-current portions) amounted to approximately RMB3.8 billion.
- (2) Total equity includes share capital, reserves and non-controlling interests.
- (3) Total capitalization includes total long-term borrowings and total equity.

Except as otherwise disclosed in this Offering Circular, there has been no material adverse change in our capitalization and indebtedness since December 31, 2012.

BUSINESS

Overview

We are a leading developer and operator of large-scale, consumer product-focused wholesale shopping malls in China, in terms of planned GFA, consumer product coverage and range of value-added supporting services and facilities, according to DCMA. We also develop certain other commercial, residential and mixed-use property projects that serve a complimentary purpose to our wholesale shopping malls. We are listed on the Hong Kong Stock Exchange and have become a constituent stock of the Hang Seng Composite Index since March 4, 2013.

We sell and lease wholesale shopping mall units as a “one stop” business space solution to our clients, who are suppliers, manufacturers and distributors of consumer products and SMEs focused primarily on the domestic consumption market. We aim to provide an integrated business platform from which our clients are able to display and sell their consumer products to domestic retailers and end-consumers. At the same time, we also aim to offer or make available a wide range of value-added supporting services and facilities including warehouse leasing services, hotels and restaurants, third-party banking and government services to support and serve the business needs of our clients. We believe that the PRC government’s policies of stimulating domestic demand to promote domestic consumption as a key driver for China’s future economic growth will increase domestic demand for consumer products and provide growth opportunities for our clients, which we expect will result in a corresponding increase in demand for our wholesale shopping mall units.

Headquartered in Wuhan, we have historically focused our property development in the capital of Hubei Province where our headquarters is located. As of December 31, 2012, our flagship project, the North Hankou International Trade Center (漢口北國際商品交易中心) (“North Hankou Project”), was the largest wholesale shopping mall in Central China and the second largest wholesale shopping mall in China in terms of planned GFA among the top 10 integrated wholesale markets for consumer products and small household items, according to DCMA. The North Hankou Project consists of wholesale shopping malls serving 12 consumer product sectors, namely footwear and leather products, small household items, hotel products and supplies, apparel, cotton knitwear products, home textiles, electronics and home appliances, gifts, textiles, luxury goods, general products and automobiles and automobile parts and accessories. We are also developing a number of commercial, residential and mixed-use property projects. These projects include No.1 Enterprise Community – Wuhan (第一企業社區•武漢), Wuhan Salon (武漢客廳), No. 1 Enterprise Community – Changsha (第一企業社區•長沙), Shenyang Salon (瀋陽客廳), Zall International Finance Center (卓爾國際金融中心), Zall Life City – Hupan Haoting Residences (卓爾生活城—湖畔豪庭) and Zall Life City – Zhujinyuan Residences (卓爾生活城—築錦苑). In addition, we have entered into master, cooperation or investment agreements with various government authorities to develop other projects, which will be modeled on our North Hankou Project, No.1 Enterprise Community – Wuhan and Wuhan Salon in terms of the properties and services offered. These projects include North Hankou Project (District II) (漢口北項目二區) and Wuhan Salon (Phase II) (武漢客廳二期) in Wuhan, Xiangyang Salon (襄陽客廳) in Xiangyang and Zall Northern China International Trade Center (卓爾華北國際商品交易中心), Binhai Salon (濱海客廳) and No.1 Enterprise Community Northern China Headquarters Business Park (第一企業社區•華北總部基地) in Tianjin and Northeastern China (Shenyang) International Trade Center (東北(沈陽)國際商品交易中心), No.1 Enterprise Community Northeastern China Headquarters Business Park (第一企業社區•東北總部基地) and Northeastern Logistic Enterprise Community (東北物聯港) in Shenyang.

In September 2009, 2010 and 2011, we were recognized as a “Top 500 Services Industry Enterprise in China” (中國服務業企業 500 強) by the China Enterprises Confederation (中國企業聯合會) and the Chinese Entrepreneurs’ Association (中國企業家協會), based on turnover. In 2010, 2011 and 2012, we were recognized as a “Top 500 Private Enterprise in China” (中華民營企業 500 強) by the All-China Federation of Industry and Commerce (中華全國工商業聯合會). On top of these, we have also received various other awards in recent years. In October 2010, in recognition of our North Hankou Project, we received the highly prestigious Guangsha Prize (廣慶獎) from MOHURD and the China Real Estate Association (中國房地產協會) which is awarded annually to a few outstanding landmark property projects in China. In November 2010, we won a Golden Landmark Award (金地標獎) as a “leading enterprise in the urban complex industry of China” (中國城市綜合體領軍企業) from 21st Century Business Herald (21 世紀經濟報導), a leading Chinese business newspaper. During 2012, we were honored as one of the “Top 30 Real Estate Companies in Hubei Province of 2012” (二零一二年湖北省房地產公司 30 強) by the China Index Academy (中國指數研究院) and were

awarded “Top 200 Efficient Enterprises in China for 2012” (二零一二年中國企業效益 200 佳) by China Enterprise Confederation/China Enterprise Directors Association (中國企業聯合會/中國企業家協會). Furthermore, in April 2010, our North Hankou Project was designated as an “AAA National Shopping Tourism Area” by the Hubei Province Tourism Bureau. In December 2011, our North Hankou Project was awarded “Commercial Property with the Most Investment Value in 2011” (2011 年度最具投資價值商業地產) by Wuhan Morning Post and Wuhan Real Estate Corporation (武漢晨報及武漢房地產開發協會). In January 2012, our North Hankou Project was further awarded “Commercial Property with the Most Investment Value” (最具投資價值商業地產) jointly by Changjiang Morning Post (長江日報), China Real Estate Corporation (中國房地產協會) and Hubei Real Estate Corporation (湖北房地產協會). In November 2012, our North Hankou Project was named “Property with the Most Investment Value in 2012” (最具投資價值樓盤) in the “Hubei Real Estate League Table 2012” (湖北房地產風雲榜) jointly held by Wuhan Evening Post (武漢晚報) and Hubei Strong Media League (湖北強勢媒體聯盟), and was awarded “Best City Operator in 2012” (2012 年度最佳城市運營商) in the Hubei Real Estate Annual Awards Ceremony (湖北房地產年會頒獎盛典). In December 2012, our North Hankou Project received the “Wuhan Real Estate Area Driving Force Property in 2012” (2012 年武漢房地產區域推動力樓盤獎) in the “Action Power – 2012 Leju Innovative Summit and China Real Estate Weibo Conference” (行動的力量 – 2012 樂居創新峰會暨中國房地產微博大會).

As of December 31, 2012, we had land reserves of approximately 5.1 million sq.m., for which we had obtained land use rights. We had an aggregate planned GFA of approximately 5.9 million sq.m., of which approximately 0.7 million sq.m. had been completed and delivered.

Our turnover was RMB769.7 million, RMB2,454.2 million and RMB1,489.9 million (US\$239.1 million) and the profit attributable to equity shareholders of our Company was RMB635.1 million, RMB1,194.7 million and RMB1,150.9 million (US\$184.7 million) in 2010, 2011 and 2012, respectively.

Our Competitive Strengths

We are well-positioned to benefit from the rapidly growing domestic consumer market demand driven by China's continuing economic growth and national policies promoting domestic consumption

China's economy continues to be one of the fastest-growing economies in the world with a GDP growth at a CAGR of 13.6% from 2008 to 2012. The nation's GDP per capita, which correlates closely with consumer spending power, also experienced strong growth, increasing from RMB23,708 in 2008 to RMB38,354 in 2012, representing a CAGR of 12.8%. We believe that China's strong economic growth and increased GDP per capita have resulted in increasing domestic demand for consumer products and, consequently, an increasing demand for large-scale, consumer product-focused wholesale shopping malls to meet such market needs. We believe that our flagship project, the North Hankou Project, is well-positioned to take advantage of opportunities presented by this economic development.

Recent PRC Government policies have also provided us with further business potential. The PRC Government has prioritized the promotion of domestic consumption in its 12th Five-Year Plan (2011-2015), as part of its efforts to reduce the PRC economy's reliance on export trade and stimulate domestic growth, which is expected to increase domestic commerce and consumer product consumption. As a result, SMEs are expected to play an increasingly important role in a PRC economy that is driven by greater domestic demand, as demonstrated by similar growth patterns in certain developed economies, such as the U.S. and Europe, and we expect to see a corresponding increase in demand from SMEs for proactive property solutions and services such as those offered in our North Hankou Project.

We believe our large-scale, consumer product-focused wholesale shopping malls will form part of this new macro-social economic trend as evidenced by the success of our North Hankou Project.

Our operations are strategically located in Wuhan, which has historically served as a major trading and commercial center in China, and was recently selected as the key regional center under the Central China Revitalization Plan

Most of our current projects are located in Wuhan, the capital of Hubei Province, in Central China. Wuhan has historically served as a major trade and commerce center in China and is commonly referred to as “the thoroughfare for nine provinces” (九省通衢), which include the provinces of Anhui, Guizhou, Henan, Hubei, Hunan, Jiangxi, Shaanxi, Shanxi and Sichuan. Wuhan's strategic importance is demonstrated by its strong annual GDP of approximately RMB800.4 billion, a population of 10.1 million and an annual GDP per

capita of RMB79,089.1, all as of 2012. In recognition of its overall strategic importance, Wuhan has been designated by the PRC government as the key regional center for Central China in its strategic Central China Revitalization Plan. On December 14, 2007, the “Wuhan City Circle,” which includes Wuhan and eight other neighboring cities in Hubei Province, was formally approved by the State Council as a trial area for the development of energy-efficient and environmentally-friendly businesses. As a result, the “Wuhan City Circle” has become a new special zone enjoying preferential government policies, which is similar to the cases of the Shenzhen Special Economic Zone, the Shanghai Pudong New District and the Tianjin Binhai New Area. In December 2009, the Wuhan Donghu High-Tech Industrial Development Zone (武漢東湖新技術產業開發區) was formally approved by the State Council as the second national development and innovation district after Beijing Zhongguancun Science Park (中關村科技園).

We have a leading market position in the development and operation of wholesale shopping malls in Wuhan in terms of planned GFA, land reserves and brand recognition which gives us a comprehensive advantage given Wuhan’s strategic location. By locating our North Hankou Project in Wuhan, we and our clients are well-positioned to take advantage of its convenient access to a Central China market with significant demand for consumer products.

Our robust business model is focused on developing large-scale projects and operations to complement the development plans of the local and regional governments.

Prior to developing a project, we spend considerable time on site selection to identify project development opportunities. We conduct in-depth research and analysis of government policies, economic growth potential in the area, transportation infrastructure and market demand for large-scale wholesale shopping malls, which are our hallmark projects. During the project planning stage, we work closely with local governments to ensure that we align our projects to complement their development plans. We also engage design institutes experienced in wholesale shopping mall projects to work with us in designing advanced and cost-effective malls and properties for our target clients in the consumer product wholesale market.

As part of our business model, we focus on developing large-scale landmark commercial and trade centers in our selected locations. We believe large-scale development offers certain advantages: (1) large-scale development projects are recognized by government authorities as they generally have a large impact on the local economy and help build name recognition of the city; (2) large-scale development projects are typically supported by local governments as they generate sizeable economic returns and tax contributions, and (3) large-scale project developments are more likely to attract market attention, which promotes our brand. In addition, large-scale projects enable us to concentrate our financial resources and human resources, thereby increasing the efficiency in the management and development of our projects.

As part of our post development and marketing operations, we provide quality after-sale services for our clients. This includes sponsoring and participating in marketing events in Wuhan and throughout China that we believe will provide business opportunities for our clients. We regularly host product trade fairs, including, for example, the hotel products industry expo, stationary and sports products industry expo and the annual China North Hankou Trade Fair (中國漢口北商品交易會). The China North Hankou Trade Fair is a national trade fair and one of the trade fairs supported by MOFCOM in the domestic consumer product market pursuant to the Notice Relating to the Promotion of Consumption by Exhibitions and Trade Fairs 《商務部辦公廳關於做好2010年內貿領域會展促消費工作的通知》 issued by MOFCOM on February 10, 2010. We have also set up representative sales offices in nine PRC cities covering major wholesale markets in China, namely, Yiwu, Wenzhou, Jinjiang, Guangzhou, Shanghai, Dongguan, Chengdu, Haining and Shishi. With the assistance of our representative sales offices, our clients are able to extend their business reach widely across China. Our other marketing and promotional initiatives include conducting on-site promotional activities with consumer product manufacturers and liaising and/or entering into strategic alliances with various trade and consumer product associations, such as China Leather Industry Association, Wenzhou Footwear Trade Association, Yiwu Merchants Association Hubei Branch, Guangdong Merchants Association Hubei Branch, Fujian Merchants Association Hubei Branch, Guangzhou Footwear Trade Association, National Industrial and Commercial Kitchenware Industry Joint Association, Wuhan Logistics Association, Wenzhou Logistics Joint Body, Guangzhou Watches and Clocks Association, Changshu Textile and Clothing Association and China Cotton Textile Industry Association. In addition, we also conduct focused marketing campaigns targeting selected wholesale merchants operating in other local markets to attract them to relocate their business to our wholesale shopping malls.

We have developed close working relationships with the local and regional governments where we currently operate or plan to operate, and our North Hankou Project also enjoys support from central government authorities

In selecting new sites for our large-scale wholesale shopping malls, we strategically consult with local and regional governments to ensure that our projects are consistent with the long-term economic development plans of these authorities to develop the local economy by promoting commerce and creating new jobs for the local population as well as providing other significant economic benefits. For example, we were able to identify, at an early stage, the Wuhan Government's concern with expansion needs and existing traffic congestion problems in Wuhan's historical commercial and trading center, Hanzheng Street (漢正街), located in downtown Wuhan. In our consultation with the Wuhan Government, we positioned the North Hankou Project as an alternative commercial and trading center for Wuhan, to address some of the infrastructure concerns relating to Hanzheng Street. As a result, our North Hankou Project was recognized as a priority development project in the 2009 and 2010 annual work reports of both the Wuhan Municipal Government and Hubei Provincial Government. We were subsequently able to secure an aggregate site area of over 600,000 sq.m. quickly in accordance with the relevant government procedures at reasonable cost. In conjunction with our North Hankou Project, as part of a broader effort to improve local transportation infrastructure, the relevant government authorities have also undertaken the construction of new roads and other supporting infrastructure surrounding the North Hankou Project. The local government has established city bus stations, the long-haul bus terminal, the Wuhan light-rail line 1 and the Wuhan subway line 3 to provide convenient transportation access to the North Hankou Project. In particular, the Huangpi District Government is currently building a bus terminal, the North Hankou Passenger Terminal, located adjacent to the North Hankou Project, which will provide bus connection to over 10 provinces in China upon its completion by the end of 2013, as well as the Wuhan Boulevard (武漢大道), which, upon its completion in 2011, provides direct highway access between the North Hankou Project and downtown Wuhan.

In support of our North Hankou Project, several government agencies also maintain an on-site presence at the North Hankou Project, offering a diverse range of services including business registration and compliance, tax administration and public security to facilitate the business needs of our clients. The local government has also facilitated the set-up of bank branches and schools at our North Hankou Project to enhance the range of supporting services and facilities offered to our clients.

We have a track record of proven profitability and prudent financial management

We operate a profitable business. In 2010, 2011 and 2012, we recorded gross margins of 46.3%, 70.9% and 72.7%, respectively. Our ability to quickly grow profitability is primarily due to our ability to identify and secure large parcels of suburban land at low cost and our ability to subsequently create substantial value on such land with our developed projects. We work closely with local governments to identify suburban land suitable for the development of our large-scale projects and we benefit from land value appreciation as a result of local economic growth and infrastructure improvements driven by our project development.

Our projects are concentrated in Wuhan and the large-scale nature of our projects enables us to achieve significant economies of scale and enhanced gross margins. As of December 31, 2012, we had approximately 5.1 million sq.m. in land reserves which had been granted land use right certificates. We presently expect these reserves to be sufficient for our development needs for the next three to five years, and to help sustain our profitability for a considerable period, as the land cost is locked in and we anticipate that we will be able to enjoy long-term land value appreciation benefits.

We generate strong cash flows from the sales and leasing of our properties, as well as from our property management services. In particular, we maintain a stable cash flow by keeping a flexible ratio between properties for sale and properties for leasing. As we continue to develop our North Hankou Project to commence offering warehouse leasing services, hotel and restaurant services and other supporting services, we expect that our cash flow position will improve further.

We have an experienced, entrepreneurial and highly customer-focused management team

Our senior management team has experiences in the real estate and consumer product markets in China, which has helped us understand the business needs of our clients and effectively customize our products and services to meet client expectations. The vision, experience and entrepreneurial spirit of our management team, together with their strong focus on customer needs, have contributed to our strong financial and operational performance and our ability to manage our North Hankou Project and expand into new projects in a well-organized and disciplined manner. In particular, Mr. Yan, our founder, chairman and executive director, has

played a key role in our success. Before founding our Group, Mr. Yan had approximately 15 years of experience in the advertising industry and we have benefited from his extensive network of contacts in various industries as we expanded our client base, as well as his experience in serving business clients. Our senior management team's collective experience and knowledge in developing and managing large-scale commercial property projects have also helped us cultivate strong relationships with government agencies, industry leaders, major clients, consumer product manufacturers and their suppliers and distributors and other market participants.

We also take a long-term view on the recruitment, training and career development of our work force. We have access to a deep talent pool of graduates from higher educational institutions located in Wuhan, which has one of the largest student enrollment population for tertiary institutions among Chinese cities. We believe we will be able to selectively recruit well qualified employees from this Wuhan-based talent pool as we continue to grow our business. We provide management training, including external training at major Chinese business schools, for our selected employees to ensure that we have continuity in our senior management team. Over half of our senior management team have obtained master's degree, or are currently in the process of completing courses for master's degree. We believe that our experienced and committed management team enhances our ability to develop and implement our strategies quickly to respond to the changing business needs of our clients.

Our Business Strategies

Continue to develop and operate our flagship project, the North Hankou Project

In order to consolidate our leading market position and enhance brand recognition, we believe it is critical that we continue to develop and operate our flagship project, the North Hankou Project. Our ability to successfully develop and operate the North Hankou Project will be instrumental to our ability to leverage our business model in new projects in selected cities across China.

In terms of project development, we intend to continue implementing and improving our business model with a focus on quality and cost control and product and service customization. In terms of on-going project operations, we plan to further strengthen our relationship with existing clients in our wholesale shopping malls by focusing on customized service offerings to our clients. We believe that by maintaining a competitive level of product and client service quality, we will be able to increase client retention and improve loyalty among our major clients.

Maximize occupancy rates, rental rates and traffic flow in the North Hankou Project and other planned projects

We plan to maximize our occupancy rates, rental rates and traffic flow in our projects by adopting the following initiatives:

Provide preferential rental terms to achieve higher occupancy rates and increase rental rates. We believe we should attract high-quality tenants by offering attractive rental terms as our first priority when we commence operations in a new wholesale shopping mall and then increase rental rates steadily as occupancy rates increase. We believe we will be able to increase rental rates after the initial lease as our clients will have by then established their businesses in our wholesale shopping malls and have benefited from the increased flow of trade in such wholesale shopping malls and the wide range of value-added supporting services and facilities, and therefore be more likely to renew their leases on improved terms.

Leverage and improve supporting infrastructure and services. We plan to enhance the demand for our wholesale shopping mall units by leveraging and improving the supporting infrastructure and facilities available to our clients and their customers. In the North Hankou Project, we continue to work closely with the local government to expand the range of supporting infrastructure and services available on-site. We provide free shuttle bus services to certain locations in Wuhan for our tenants and their customers. We also have strategic alliance with leading third-party service providers, including leading PRC banks and telecommunication companies, to expand the range of supporting services offered to our clients. In terms of surrounding infrastructure development for the North Hankou Project, we will continue to work with the local government to extend road and rail connections to the North Hankou Project to facilitate transportation access. In addition, we expect to continue to expand our warehouse leasing services to support the on-going development of properties within our North Hankou Project.

Attract and secure high-quality long-term anchor clients. We intend to continue to use our strong relationships with existing clients and trade associations representing SMEs, domestic suppliers, manufacturers and distributors, as well as business contacts developed by Mr. Yan, our founder, chairman and executive

director, and the rest of our senior management team to secure high-quality clients to form the core of our client base. We believe that securing high-quality anchor tenants will increase the stability of our tenant base and help raise the profile and reputation of our wholesale shopping malls, as well as increase the flow of trade within these centers, thereby enhancing our project status as a preferred business platform for our clients and allowing us to augment rental rates and sales prices for our wholesale shopping mall units.

Expand our offering of products and services to diversify our turnover source and continue to optimize our turnover stream

We intend to expand our offering of value-added, integrated services in order to meet individual needs and requirements of our clients and their customers. We are currently developing a central warehouse and intend to develop a logistics center to expand our warehouse space and facilitate third-party logistics services provided to our client. We expect that our warehouse leasing services and third-party logistics services will serve as critical service components of our North Hankou Project as our existing and prospective clients expect to have ready access to such services as part of an integrated business platform supporting their business operations. We believe that quality warehouse leasing services will become increasingly important in our ability to secure key clients in our wholesale shopping malls and to enhance our turnover generating capabilities.

Selectively pursue expansion projects by replicating our successful business model in other regional cities with a market demand for large-scale wholesale shopping malls

We intend to leverage our experience with the North Hankou Project to develop similar large-scale wholesale shopping malls in other cities in China. We will continue to focus our expansion to regional cities that meet our strategic criteria, including market demand for large scale wholesale shopping malls, location with easy access to well-developed transportation networks, local and regional economic growth potential for domestic product consumption, and strong local and regional government support for the development of our projects. We are currently planning to develop additional projects in Wuhan and Xiangyang in Hubei Province, Tianjin Municipality, Shenyang in Liaoning Province and Changsha in Hunan Province. These projects are expected to be largely modeled on the North Hankou Project, No.1 Enterprise Community – Wuhan and Wuhan Salon.

Achieve optimal mix between shopping mall units for sale and those held as investment properties

We intend to maintain an optimal mix of properties generating long-term recurring income and capital appreciation and properties generating profit from sales. We plan to strategically balance the level of GFA for sale and that for investment in our completed projects, properties under development and planned for future development, in order to enhance our working capital position and to finance a portion of our project development costs. In this respect, we sell a higher proportion of wholesale shopping mall units in the early development phase of our projects for better cash flow and retain a higher proportion of wholesale shopping mall units as investment properties in the later development stage of our projects. Upon completion of a project, we expect to retain an interest in the properties we develop, from 30% to 50% of the GFA in a project.

Overview of Our Property Projects

As of December 31, 2012, we had land reserves of approximately 5.1 million sq.m., for which we had obtained land use rights. We had an aggregate planned GFA of approximately 5.9 million sq.m., of which approximately 0.7 million sq.m. had been completed and delivered.

We classify our properties into two categories according to the stage of development:

- completed properties, representing properties for which we have received the certificates of completion; and
- properties under development, representing properties for which we have received the land use rights certificates, and the construction of which has commenced but has not been completed.

Our classification of properties reflects the basis on which we operate our business and may differ from classifications employed by other developers. Each project may be divided into multiple phases and subject to multiple land use rights certificates, construction permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout the project's development.

The GFA information in this Offering Circular is derived on the following basis:

- For total GFA,
 - when the construction of properties in the relevant projects is completed and we have received the certificates of completion, the total GFA information in respect of these projects refers to the total GFA in such certificates of completion;
 - if we have not obtained the certificates of completion but have the detailed construction drawings for the projects, the total GFA information in respect of these projects refers to the total GFA in such detailed construction drawings;
 - if we do not have the detailed construction drawings, but have obtained the construction works planning permits or construction land planning permits for the projects, the total GFA information in respect of these projects refers to the total GFA in such construction planning permits;
 - if we have not obtained any of the above documents for the projects, the total GFA information in respect of these projects refers to the total GFA estimated based on our current development plans.

Total GFA stated in the certificates of completion, detailed construction drawings, construction works planning permits or construction land planning permits includes underground GFA. Underground GFA refers to basement and other underground spaces, generally used for parking purposes. The total GFA information in this Offering Circular includes saleable GFA, leasable GFA and non-saleable/non-leasable GFA. Saleable GFA and leasable GFA generally refer to commercial and residential properties (including internal floor area and shared areas in the building that are exclusively allocated to such properties). Non-saleable/non-leasable GFA generally refers to certain communal facilities as required by the government.

- For saleable/leasable GFA,
 - if we have obtained the pre-sale permits for the projects, the saleable/leasable GFA information refers to the saleable GFA in the pre-sale permits;
 - if we have not yet obtained the pre-sale permits but have the detailed construction drawings for the projects, the estimated saleable/leasable GFA information in respect of these projects refers to the estimated saleable GFA in such detailed construction drawings;
 - if we have not obtained the detailed construction drawings but have obtained the construction works planning permits or construction land planning permits for the projects, the estimated saleable/leasable GFA information in respect of these projects is estimated based on our current development plans in accordance with such construction planning permits;
 - if we have not obtained any of the above documents for the projects, the estimated saleable/leasable GFA information in respect of these projects is estimated based on our current development plans.
- GFA sold information refers to the GFA in the relevant sale and purchase agreements on an aggregate basis. GFA sold information in this Offering Circular does not include GFA of parking spaces.
- GFA leased information refers to the GFA in lease agreements on an aggregate basis.

The following table sets forth an overview of our property projects as of December 31, 2012:

Project	Total planned GFA⁽¹⁾ (Sq.m)	GFA sold and delivered⁽²⁾ (Sq.m)	Total GFA on hand (Sq.m)	Self-use GFA (Sq.m)	Total leasable and salable GFA (Sq.m)	Equity interest attributable to the Group	Total land reserves to our Group (Sq.m)
North Hankou Project	3,073,784	601,098	2,472,686	8,275	2,464,411	100%	2,472,686
No.1 Enterprise Community – Wuhan.....	1,115,303	129,548	985,755	10,635	975,120	100%	985,755
Wuhan Salon	792,635	-	792,635	-	792,635	100%	792,635
Shenyang Salon	307,469	-	307,469	-	307,469	100%	307,469
No.1 Enterprise Community – Changsha.....	76,000	-	76,000	-	76,000	80%	60,800
Zall International Finance Center	79,781	-	79,781	-	79,781	51%	40,689
Zall Life City – Hupan Haoting Residences	302,837	-	302,837	-	302,837	100%	302,837
Zall Life City – Zhujinyuan Residences	163,126	-	163,126	-	163,126	100%	163,126
Total.....	5,910,935	730,646	5,180,289	18,910	5,161,379		5,125,997

Notes:

(1) “Total planned GFA” of completed properties represents the GFA provided in surveying reports or the record of examination and acceptance upon project completion (竣工收備案證明) by relevant government authorities; and/or based on land surveyor’s estimates and/or planning permits; and/or based on designer’s data and/or our internal records or estimates.

(2) GFA sold and delivered represents GFA sold and delivered to customers and recognized as revenue of our Group from start of the projects up to December 31, 2012.

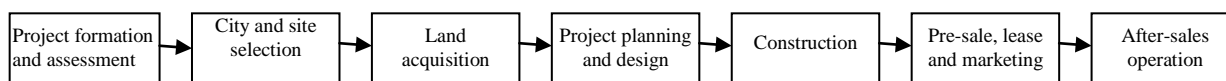
Our Business Model

Our core value lies in our business model. Instead of focusing on quick realization of development income, we focus on the development and operation of wholesale shopping malls as an integrated platform for our clients to display and sell their products to domestic retailers and end-consumers. We seek to achieve quality project planning and deliver quality management services to our clients. We commence our projects by conducting preliminary market research and feasibility studies to select appropriate project sites, taking into account various factors such as existing and proposed government initiatives and policies, conceptual project design, local consumer market demand for large-scale wholesale shopping malls and transportation infrastructure. We work closely with government agencies and project designers to ensure that our large-scale projects complement the local government's development plan in our selected location and are professionally designed to effectively meet the business needs of our prospective clients. Upon completion of a project, we provide quality professional management services to our clients to provide an efficient operational platform for their businesses.

Our business strategy is to maintain an optimal mix between wholesale shopping mall units for sale and those held as investment properties. We sell a higher proportion of wholesale shopping mall units in the early development phase of a project for better cash flow while retaining a higher proportion of wholesale shopping mall units in the later development stage of a project as investment properties. Upon completion of a project, we typically plan to retain an interest in the properties we develop, from 30% to 50% of the GFA in a project, and we maintain a professional property management team to manage both sold and retained properties with a common agenda, which is to provide them with a comprehensive range of supporting services and facilities to allow them to grow their businesses on our platform.

Our Development Procedures

We maintain a systematic approach in developing our properties, even though each of our development projects is specifically tailored to its distinctive attributes. Our property development process can be summarized in the diagram below:



Project Formation and Assessment

During the project formation stage, the primary task is to formulate our investment plans and conceptualize development targets based on our growth strategies and medium- to long- term development plans. We also place strong emphasis on the study of macro-social economic trends in China, and in particular, such trends in Central China, indicated by government policies and reports and other sources, and seek to conceptualize the most desirable and profitable type of property in a certain area.

Once we have a preliminary concept of the properties that we intend to develop, we conduct further feasibility studies on the potential development target with thorough risk management and investment return analysis, including political and economic development in the local areas, local property market conditions, disposable income, urban planning, infrastructure and supporting facilities, and resettlement requirements. We are also focused on maintaining public relationships with governments at this stage because wholesale shopping mall projects are an important part of the urban planning of cities in China.

City and Site Selection

We typically start to select our development sites during the project formation and assessment stage. Before we enter new cities and secure sites for new developments, we conduct preparatory investigation with the aid of professional market research firms and, typically, in promising cases, communicate and negotiate with the respective local governments in order to procure more information and achieve better understanding. We select the sites for our wholesale shopping mall projects with extreme care. In addition to the project's requisite size, we pay particular attention to its location in terms of local consumer purchasing power and surrounding transportation infrastructure. We have also formulated a set of criteria in our city selection process, including:

- the general socio-economic conditions of the city, including geographical size, population, and level of economic development, our preference being for regional central cities with superior location and mature transportation infrastructure;
- the position of the city in the overall national economy for the development of our consumer products

- wholesale shopping malls and affiliated projects;
- the ease of access to various means of transportation customarily preferred by our customers, whether by air, water, rail or highway;
- the existing land supply for commercial properties in the city and its vicinity, including the location of major commercial areas, and any established advantages of existing wholesale shopping malls and markets, and the general level of real estate development;
- the purchasing power and consumption patterns of the residents;
- the local government policy and legal environment in general, and any preferential local government policies in land sales/acquisition and development in particular;
- the competition landscape, including the identity, size and development plans of existing and potential competitors, pricing and other indicators of competing projects, and the marketing strategies of competitors and competing projects; and
- the land availability in the foreseeable future.

With respect to the site selection in a particular city, we consider the following factors:

- the growth potential of the site, and its position in the city's long-term development plans;
- whether the site is, in terms of area and condition, suitable for large-scale, integrated commercial development;
- whether the site is connected to a robust transportation and supporting facilities infrastructure currently existing or planned by the local governments;
- whether the site is ready for development and will not require substantial demolition of existing structures;
- whether a proposed project on the site is likely to yield a satisfactory outcome based on analysis of its strengths, weaknesses, opportunities and threats;
- whether a proposed project on the site will help lift the economic, cultural and social development of the city and region to a higher level; and
- the projected overall cost of a proposed project on the site.

Land Acquisition

Under the current PRC laws and regulations, land use rights for the purposes of commercial use, tourism, entertainment and commodity residential properties in China must be granted by the government only through public tender, auction or listing-for-sale. When deciding to whom to grant land use rights, the relevant authorities will consider not only the tender price, but also the credit history and qualifications of the tenderer and its development proposal. Grantees of land use rights may, however, dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the land grant contracts and the relevant laws and regulations.

Due to the characteristics and requirements of our large-scale, wholesale consumer product-focused shopping mall projects, size and location of the plot and government zoning regulations play an important role in our decisions. Through our wholesale shopping mall projects, we intend to contribute to the local and regional economy and commerce, while at the same time benefiting from their development.

Project Planning and Design

Once a site is selected, we pursue the following planning and design philosophies:

- we give full deference to urban planning requirements and considerations of the local government authorities;

- we seek to develop projects that complement the local government's development plan in our selected location;
- we form long-term partnerships with highly experienced architectural design firms in China, and invite international architectural design firms to undertake the planning and design of some of our projects;
- our project designs are of the first-grade in China and embody advanced international design concepts, and we endeavor to build properties which will become landmarks in their local areas; and
- we intend to adopt the most advanced design in our properties with pleasing shape and structure and functional layouts.

Architectural designs for our projects are typically undertaken by third-party architectural firms.

Our senior management is actively involved during the whole project planning and design process. We attach significant importance to the design and planning of our wholesale shopping mall properties. We aim not only to provide a wholesale shopping mall platform to our customers, but also to offer various operational support and supplementary services. Within each wholesale shopping mall market, we endeavor to create space, convenience and user-friendliness for our clients. As a result, our design of malls typically caters to the particular needs of our clients and their down-stream customers, to facilitate the business operations of our clients.

Construction

We develop and manage our projects through our Project Management Department, and our project companies. The Project Management Department makes strategic determinations and sets strategic parameters for our projects, including overall project planning and periodic targets, scope and size of development, selection of construction companies, contracting price, and raw materials and equipment procurement, while the project companies oversee the day-to-day operations of the respective projects. The Project Management Department coordinates with various project companies through annual, quarterly and monthly development planning and progress reporting mechanisms as well as routine meetings from time to time. The project companies report to the Project Management Department on a monthly basis on the progress of development and quality control. The Project Management Department also conducts random quality inspections from time to time. In addition, the Project Management Department has monthly cost-control meetings with cost-control specialists from every project company in order to effectively control cost and make adjustments to project budgets where necessary.

Our contractors are liable for accidents at the construction site and any regulatory non-compliance related to the construction process. We require our contractors to purchase insurance to cover risk related to construction while they perform work on our construction sites.

Bidding

All of our construction work is outsourced to outside construction companies. We select our contractors through a strict process to ensure their compliance with our quality and workmanship standards. Typically, when a project approaches the construction stage, we first compile a shortlist of a minimum of three qualified candidate construction companies after a careful due diligence investigation, including on-site visits to properties recently constructed by the candidate companies. We then invite them to bid for our construction project through a tender-by-invitation process. In selecting the winner we take into account not only the offering price but more importantly the company's professional qualification, reputation, track record, past cooperation with us, financial conditions, and level of technical sophistication. After the selection, our Project Management Department continues to review the qualifications and performance of our construction contractors annually on an on-going basis as long as they are constructing our projects. The review criteria include construction quality, satisfactory construction in line with specifications, safety record, compliance with laws and regulations, and site management, among others.

The construction contractors we have engaged carry a minimum Second Grade (二級) certification from MOHURD, and hold all the necessary licenses and permits. To ensure that our projects are constructed by quality construction companies only, our construction contracts prohibit subcontracts or assignments without our consent.

Procurement

Building construction materials are generally procured by our contractors, and the risk of price fluctuation is borne by our contractors so long as the fluctuation is within 5% as agreed in our contracts. In the event price

fluctuation exceeds 5%, we and the relevant contractors will make adjustments in accordance with guideline prices published by the local government authorities. In specific cases, we designate the brand, manufacturer and price of certain construction materials for purchase and use in our properties. Typically such arrangements involve steel or cement, which account for a substantial portion of the construction material cost of a given project.

Certain large equipment such as elevators, escalators and air-conditioning systems are purchased based on purchase agreements between the relevant suppliers and us and we typically select the suppliers at our discretion. Substantially all of the costs of construction materials, whether procured by ourselves or by the contractor, are accounted for as part of the contractor fees upon settlement with the relevant contractor.

Apart from civil engineering construction, our construction work also includes interior decoration, gardening and landscaping, which are also entirely outsourced to independent service providers.

Payment Control

In a given project, we typically make the first payment to the contractor when the structure rises above the ground level in the amount of 10% of the contractor's total fees. We then pay the contractor according to agreed progress milestones, up to an accumulated 80% of the total fees when construction is completed. We then pay an additional 15%, bringing the cumulative payments to 95% of the total fees when the relevant government authority finishes completion inspections and issues the certificate of completion. We withhold the remaining 5% as a quality deposit, with 3% as a general quality deposit to be withheld by us typically for two years after the date of completion, and 2% as a waterproofing deposit to be withheld by us typically for five years after the date of completion.

Pre-sale, lease and marketing

Before we conduct pre-sale and lease of our properties, we typically set the ratio between properties for sale and properties for leasing based on our assessment of needs for short-term cash flow and long-term rental incomes as well as the condition of the properties. As part of our business strategy, we typically sell a higher proportion of wholesale shopping mall units in the early development phase of a project for better cash flow while retaining a higher proportion of wholesale shopping mall units in the later development stage of a project as investment properties. Upon completion of a project, we typically plan to retain an interest in the properties we develop, from 30% to 50% of the GFA in a project.

Like other developers, we pre-sell properties prior to the completion of construction of a project. Under the PRC laws and regulations, property developers must satisfy specific conditions before they may pre-sell their properties under construction. These mandatory conditions include the following:

- the land premium must have been paid in full;
- the land use rights certificate, the construction land planning permit, the construction works planning permit and the construction permit must have been obtained;
- at least 25% of the total project development investments must have been made;
- the progress and the expected completion and delivery date of the construction must be certain; and
- the pre-sale permit must have been obtained.

These mandatory conditions are predicated on substantial progress in project construction and in the capital expenditure. Generally, the local governments also require developers and property purchasers to use standard pre-sale contracts prepared under the auspices of the government. Developers must file all pre-sale contracts with local land bureaus and local real estate administrative authorities within 30 days of entering into such contracts. Local governments often have additional conditions for commencing pre-sales of properties.

Many of our customers purchase our properties through the use of mortgage loans. In line with the practice in the property industry in China, we provide guarantees to mortgagee banks in respect of the mortgage loans provided to the purchasers of our properties up until we complete the development of the relevant properties and the property ownership certificates and certificates of other matters with respect to the relevant properties are delivered to the mortgagee banks.

For the years ended December 31, 2010, 2011 and 2012, substantially all of our turnover was generated from our sale of units. We have only leased a small portion of our properties to third party tenants.

After-sales operations

We endeavor to deliver our properties to our customers on a timely basis. We closely monitor the progress of construction of our property projects as well as conducting pre-delivery property inspections to ensure on-time delivery. The timeframe for delivery is typically set out in the sale and purchase agreements we enter into with our customers. Once a property project has passed the requisite inspections and is therefore ready for delivery, our customer service staff will notify our customers in respect of the delivery. Our sales and construction staff, together with staff of our property management company, will inspect the properties prior to delivery to ensure quality.

We offer a wide range of after-sales services to the clients of our North Hankou Project with the aim of adding value to the business of our clients and improving their business growth. With respect to our No.1 Enterprise Community, we set up an enterprise service center in 2007 when the initial phase of that project was completed and delivered. The enterprise service center is responsible for helping resolve practical difficulties our corporate customers may run into when they operate their businesses on the premises in the business park we have developed.

Property Management Services

Prior to delivering our properties to purchasers, most of the properties are managed by Wuhan Zall Property Management Co., Ltd. Following delivery of these sold properties, Wuhan Zall Property Management Co., Ltd. will continue to manage these properties unless the owners elect to engage another property manager. Our property management services for our projects primarily include security, cleaning, management and maintenance of parking facilities, and daily property management services. As of the date of this Offering Circular, most of the owners of our sold properties had elected to continue to use Wuhan Zall Property Management Co., Ltd. to manage these properties.

Sales and Marketing

As of the date of this Offering Circular, we maintained an internal marketing and sales force of approximately 238 employees, on whom we rely for all of our property sales and leases at the North Hankou Project and the No.1 Enterprise Community. Our centralized marketing team formulates our overall marketing strategies and coordinates all of our promotion activities. We believe our dedicated sales and leasing personnel are well positioned to serve our customers in a timely and cost-effective manner.

Sales and Marketing Strategies

We employ conventional means to promote our brand and products, including commercials on national and local television network, billboard advertisements, and circulation of our periodical North Hankou Commercial Gazette (漢口北商情). Our sales strategies encompass strategies to promote both the sale and the leasing of our properties that we plan for each of our projects.

For our North Hankou Project, we started our marketing activities by establishing a target customer pool and obtaining the identities and other information of our target customers through extensive market research. We also built strong relationships with trade associations representing SMEs, domestic suppliers, manufacturers and distributors in certain consumer product sectors and certain regions, such as China Leather Association (中國皮革協會), Wenzhou Footwear Trade Association (溫州鞋業商會), Yiwu Merchants Association Hubei Branch (義烏湖北商會), Guangdong Merchant Association Hubei Branch (廣東湖北商會) and Fujian Merchants Association Hubei Branch (建湖北商會). We entered into strategic alliance agreements with some of the trade associations to, among other things, share information on the market landscape of our target consumer product sectors. In addition, we visited wholesale merchants in certain areas in China to obtain first-hand market information on customer preferences and directly promote our North Hankou Project. As a result of these efforts, we were able to identify target customers with recognizable market influence in our target consumer product sectors and the prevailing customer preferences, which is key information for us to plan the marketing initiatives and tailor services to our prospective clients. We seek to secure high quality anchor tenants to increase the stability of our tenant base and help raise the profile and reputation of our wholesale shopping malls, as well as increase the flow of trade within these centers, thereby enhancing our project status as a preferred business platform for our clients and allowing us to augment rental rates and sales prices for our wholesale shopping mall units.

As part of our sales efforts, we have also established sales offices on an as-needed basis in various manufacturing centers for various consumer product sectors, to solicit customers for our wholesale shopping mall properties. For example, for our footwear and leather products mall, we set up sales offices in Wenzhou, Guangzhou, Jinjiang and Chengdu; for our small household items mall, we set up sales offices in Guangzhou and Yiwu; for our hotel products and supplies mall, we set up sales offices in Guangzhou City and Shanghai; and for our apparel mall, we set up sales offices in Gongguan, Shishi, Wenzhou and Changshu. We believe that these cities are the major manufacturing centers in China for the respective consumer product sectors.

Promotions

A significant part of our marketing strategy is to provide promotions to our customers. We have actively leveraged our strong relationship with local governments to obtain government support for our North Hankou Project in terms of favorable government policies and concessions offered to our tenants. In addition, since the commencement of operation of our North Hankou Project, we have provided a wide range of promotions to our clients, such as free lunches, reimbursement of travels costs and trade volume-based prizes, subject to conditions that differ from case to case.

We also regularly organize high-publicity market events, campaigns and other social activities in our North Hankou Project, as part of our proactive services to our clients. We believe that our proactive services have contributed significantly to our brand name and strengthened the customer loyalty for our North Hankou Project.

Quality Control

To ensure construction quality, we typically set out detailed quality standards and specifications in the construction contracts with our contractors. The contracts also require that the contractors comply with government laws and regulations on construction quality. In addition, our construction contracts contain quality warranties and penalty provisions for substandard work and substantial construction delays. We have not had any material legal dispute arising under such contracts with construction companies. We typically withhold 5% of the construction fees as a quality deposit after completion of the construction to give additional quality assurance.

We hire, at our cost, independent certified professional construction inspection companies to conduct on-site, full-time quality control, safety supervision, and progress monitoring together with our internal quality control personnel. We generally make payments to our contractors upon the sign-off of the professional inspection company on the quality of the construction work.

Competition


Although we believe we offer differentiated property products and services as compared with other property developers in China, we face competition from developers and operators of other large-scale wholesale shopping markets in China, particularly in or near the central regions of China, that deal with the same or similar consumer product sectors as we do or consumer product sectors we intend to expand into. In particular, in the Panlongcheng Economic and Technology Development Zone of Wuhan in which our North Hankou Project is situated, there are other wholesale markets under development or proposed for future development by other property developers and operators, which may compete with us upon the completion of those wholesale markets. In line with the PRC government's policy initiative to promote product distribution industry and move such industry up the industrial value chain, the Wuhan government has identified and planned to build the North Hankou Wholesale Market Cluster since 2007, at selected locations in the Panlongcheng Economic and Technology Development Zone of Huangpi District. The planned specialized wholesale markets, when completed, will transform the region into the largest wholesale market cluster in Wuhan and in Central China. The competition will increase in the regions where we currently operate or intend to expand as new players enter such geographical markets.

We compete with our competitors on a range of factors, including location, facilities, customer services, transportation infrastructure, government tax and other incentives, appearance, age of building, construction quality, maintenance and supporting services. We also compete on sales prices, rental rates and other sale and lease terms. We seek to maintain the attractiveness of our properties with a particular emphasis on services we provide to the purchasers and tenants of our wholesale shopping mall properties. We also compete in reputation by the ability to secure and retain long-term partnerships with high quality anchor occupants across a number of industries. We have secured over 1,000 leading domestic consumer product brands and enterprises as our stable anchor occupants in our wholesale shopping malls.

We believe we have established a leading position in Wuhan, Hubei Province, and a strong reputation in central China. Our competitors may have better track records, greater financial, human and other resources, larger sales networks and greater name recognition, as we have disclosed in the section entitled "Risk Factors — Risks

Relating to Our Business and Our Industry — [We face competition from other commercial property developers in China for land and clients]” in this Offering Circular. As we further expand into other regions of China, we will face additional competition from local players, who may be more familiar with, and more established in, the local markets.

Intellectual Property Rights

We have registered and/or applied for the registration of “漢口北”, “Zall”, “卓爾發展”, “Zall 卓爾發展”, “Zall Development”, “ZALL” and “” with the PRC Trademark Office and the Trade Marks Registry in Hong Kong under various relevant categories. As of the date of this Offering Circular, we had registered 76 trademarks in the PRC and one trademark in Hong Kong. We are also the owner of the domain name of “www.zallcn.com.”

Insurance

We carry employer's liability insurance for medical and related expenses that our employees may incur as a result of personal injuries at our workplace or construction sites of our property developments. We do not, however, maintain property damage or third-party liability insurance on our workplace or property developments. Under the existing PRC laws and regulations, these types of insurance are not mandatory and may be purchased on a voluntary basis. We believe our insurance practice is in line with the customary practice in the PRC real estate industry. We closely monitor the quality and safety measures adopted on our construction sites with the construction companies to lower the risks of damage to our property and liabilities that may be attributable to us.

See “Risk Factors — Risks Relating to Our Business and Our Industry — We have limited insurance to cover our potential losses and claims” in this Offering Circular for additional information.

Environmental and Safety Matters

We are subject to PRC environmental and safety laws and regulations. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We are required to engage qualified agencies to conduct a comprehensive environmental assessment on each of our projects and submit our environmental impact study reports to the relevant authority for approval. The PRC government will not grant us the construction permit with respect to any property project absent an acceptable environmental impact study report. We are committed to complying with these environmental and safety laws and regulations. We also actively participate in the environmental assessment process and fully cooperate with accredited environmental assessment organizations. All of our completed property projects and properties under construction have received the requisite environmental approvals. Upon completion of each property project, the relevant PRC government authorities will also inspect the property site to ensure that we have complied with the applicable environmental and safety standards.

Legal Proceedings

From time to time we are involved in legal disputes arising in the ordinary course of business, primarily including, but not limited to, disputes with suppliers and customers. We were not, as of the date of this Offering Circular, engaged in any litigation, arbitration or claim of material importance, and we did not know of any litigation, arbitration or claim of material importance pending or threatened by or against us that would have a material adverse effect on our results of operations or financial condition. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See “Risk Factors — Risks Relating to Our Business — We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.”

MANAGEMENT

Directors and Senior Management

The following table sets forth information regarding our directors and senior management as of the date of this Offering Circular.

Name	Age	Position
Yan Zhi	40	Chairman, Executive Director and Chief Executive Officer
Cui Jinfeng	34	Executive Director, and deputy chief executive officer of Zall Development (Wuhan) Co., Ltd.
Fang Li	39	Executive Director, and deputy chief executive officer of Zall Development (Wuhan) Co., Ltd.
Wang Danli	35	Executive Director
Fu Gaochao	57	Non-executive Director, and chairman of supervisory committee of Zall Development (Wuhan) Co., Ltd.
Yang Qiongzhen	49	Independent Non-executive Director
Cheung Ka Fai	38	Independent Non-executive Director
Peng Chi	50	Independent Non-executive Director
Fung Che Wai Anthony	44	Chief Financial Officer and Company Secretary
Tian Xudong	41	Deputy chief executive officer of Zall Development (Wuhan) Co., Ltd.
Liu Qin	44	Assistant to Chief Executive Officer
An Shenglong	45	Assistant to Chief Executive Officer
Li Bin	42	Deputy general manager of North Hankou Group Co., Ltd.
Tian Hu	43	General manager of the decoration works department of Zall Development (Wuhan) Co., Ltd.
Cao Tianbin	44	General Manager of the Marketing Department

Executive Directors

Yan Zhi (閻志), aged 40, is the founder, chairman, an executive director and the chief executive officer of our Company. He is primarily responsible for the formulation of our overall business and investment strategies, as well as supervising our project planning, business and operation management. He has approximately eight years of experience in the commercial property and wholesale shopping mall industries, as well as approximately 17 years of experience in the advertising and media industry and business management. Mr. Yan has been appointed as a non-executive director and the chairman of the board of directors of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Hong Kong Stock Exchange, since November 21, 2011. Mr. Yan received a master's degree in business administration for senior executives from Wuhan University (武漢大學) in February 2008 and is currently studying for his executive master of business administration degree at Cheung Kong Graduate School of Management (長江商學院).

Cui Jinfeng (崔錦鋒), aged 34, is an executive director of our Company. He is also the deputy chief executive officer of Zall Development (Wuhan) Co., Ltd. He joined the Group in July 2005 and is primarily responsible for the operations management of our projects outside Hubei province. Mr. Cui has over eight years of experience in the wholesale market and commercial property industries. Mr. Cui received a diploma in motor vehicle manufacturing and maintenance from Jiangnan University (江漢大學) in June 2000. Mr. Cui is currently studying for his master's degree in business administration at The Chinese University of Hong Kong.

Fang Li (方黎), aged 39, is an executive director of our Company. He is also the deputy chief executive officer of Zall Development (Wuhan) Co., Ltd.. He joined the Group in June 2003 and is primarily responsible for the development of our businesses and the designs of our project. Mr. Fang has over 12 years of experience in the media and advertising industry and real estate marketing. Mr. Fang received a graduate certificate in Chinese language and literature education from Hubei University of Education (湖北第二師範學院) (formerly known as Hubei Education College (湖北教育學院)) in June 1999. Mr. Fang completed an advanced course for business executives at Wuhan University (武漢大學) in June 2010 and is currently studying for his master's degree in business administration at Wuhan University.

Wang Danli (王丹莉), aged 35, is an executive director of our Company. Ms. Wang joined the Group in

June 2010 as an assistant to our chief executive officer, and is primarily responsible for our corporate finance, investor relations and legal affairs. Ms. Wang has over 12 years of experience in equity financing, financial management, merger and acquisition and asset management. Prior to joining the Group, Ms. Wang was an assistant general manager in the investment banking department of Changjiang Financing Services Co., Ltd. (長江證券承銷保薦有限公司) since July 1999, focusing on corporate finance transactions and other financial and compliance advisory matters. Ms. Wang received a bachelor's degree in engineering from Shanghai Jiao Tong University (上海交通大學) in July 1999 and a diploma in finance from Wuhan University (武漢大學) in June 2003. She also obtained a certificate of qualification for securities underwriting and issuance from Securities Association of China (中國證券業協會) in September 2007. Ms. Wang is currently studying for her master's degree at China Europe International Business School (中歐國際工商學院).

Non-Executive Director

Fu Gaochao (傅高潮), aged 57, is a non-executive director of our Company. He is the chairman of the supervisory committee of Zall Development (Wuhan) Co., Ltd.. Mr. Fu joined the Group in 1998 and has over eight years of experience in the commercial property and wholesale shopping mall industries, as well as experience in the news media industry. Mr. Fu received a diploma in business administration from Huazhong University of Technology (華中理工大學) (currently known as Huazhong University of Science and Technology (華中科技大學)) in 1993. Mr. Fu received an advanced business administration certificate (高級經營師資格證書) from Hubei Province Labour Bureau (湖北省勞動廳) in December 1999.

Independent Non-Executive Directors

Yang Qiongzhen (楊瓊珍), aged 49, is an independent non-executive director of our Company. Ms. Yang has over 12 years of experience in corporate legal affairs. In March 2001, she co-founded Hubei Zhonghexin Law Firm (湖北中和信律師事務所) and has been serving as a partner from March 2001 to present. From December 2002 to November 2006, Ms. Yang was the secretary-general of the Economic Law Committee of Hubei Lawyers Association (湖北省律師協會經濟法委員會). Ms. Yang received a bachelor's degree in law from Zhongnan University of Economics and Law (中南財經政法大學) in July 1984 and a master's degree in law from Wuhan University (武漢大學) in July 1987.

Cheung Ka Fai (張家輝), aged 38, is an independent non-executive director of our Company. Mr. Cheung has over 15 years of experience in auditing, accounting and finance. Prior to joining the Group, Mr. Cheung worked as an auditor at Deloitte Touche Tohmatsu and served as the financial controller and company secretary of two companies listed on the GEM Board of the Hong Kong Stock Exchange. Mr. Cheung was the chief financial officer and company secretary of Huscoke Resources Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange from June 2008 to July 2012 and an executive director of Huscoke Resources Holdings Limited from October 2009 to July 2012. He has been serving as the chief financial officer of Bonjour Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange from August 2012 to present. Mr. Cheung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from the Hong Kong Polytechnic University in November 1997 and a master's degree in business administration from the University of Bradford in January 2008.

Peng Chi (彭池), aged 50, is an independent non-executive director of our Company. Mr. Peng has over 14 years of experience in real estate development and management of large-scale infrastructure constructions. From May 1999 to present, Mr. Peng has been serving as a director of Ramada Hotel Xiamen Co., Ltd. (廈門長升大酒店有限公司). From July 2001 to March 2004, he was a director of Xiamen Rong Tai Real Estate Development Co., Ltd. (廈門榮泰房地產開發有限公司). From May 2004 to December 2006, Mr. Peng was the general manager of Hubei Jingdong Highway Construction and Development Co., Ltd. (湖北荊東高速公路建設開發有限公司). From May 2004 to present, Mr. Peng has been serving as a director of Wuhan Tianshi Property Development Co., Ltd. (武漢市天時物業發展有限責任公司). From January 2008 to present, Mr. Peng has been serving as a director of Hubei E'dong Yangtze River Highway Bridge Co., Ltd. (湖北鄂東長江公路大橋有限公司). Mr. Peng obtained a bachelor's degree in history and literature from Hubei University (湖北大學) in July 1984.

Senior Management

Fung Che Wai Anthony (馮志偉), aged 44, is our chief financial officer and company secretary. Mr. Fung joined the Group in January 2011 and is primarily responsible for the financial management and investor relations of our Company. Mr. Fung has over 20 years of experience in auditing, advisory accounting and financial management. From August 1992 to September 1999, he worked for Deloitte Touche Tohmatsu, with his last designation as an audit manager. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited, a financial consulting company. From August 2007 to December 2007, he served as the financial controller of corporate finance and development of China Eagle Management Limited, a subsidiary of Gome Electrical Appliances Holding Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. From January 2008 to August 2010, Mr. Fung was the vice president responsible for investor relations of NagaCorp Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Fung is a fellow of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He graduated from Hong Kong Polytechnic University with a bachelor's degree in accounting in 1992.

Tian Xudong (田旭東), aged 41, is the deputy chief executive officer of Zall Development (Wuhan) Co., Ltd.. Mr. Tian joined our Group in January 2007 and is primarily responsible for the auctioning and purchasing of land for our Group and management of the initial stages of development of our projects. Mr. Tian has over eight years of experience in the real estate development industry and approximately six years of experience working for the PRC government. Mr. Tian received a diploma in economic management from the Party School of the Central Committee of C.P.C. (中共中央黨校) in December 1997 and a diploma in business administration from Wuhan University (武漢大學) in December 2003. He is currently studying for an executive master of business administration degree at Huazhong University of Science and Technology (華中科技大學).

Liu Qin (劉琴), aged 44, is an assistant to our chief executive officer. Ms. Liu joined the Group in 2007 and is responsible for the human resources and administration of our Group. Ms. Liu has over 12 years of experience in real estate sales, human resources management and administrative management. Ms. Liu graduated from Wuhan Radio and TV University (武漢市廣播電視大學) with a diploma in economic management. Ms. Liu is currently studying for an executive master of business administration degree at Tsinghua University (清華大學). Ms. Liu has been appointed as an executive director of CIG Yangtze Ports PLC, a company listed on the GEM Board of the Hong Kong Stock Exchange, since November 21, 2011.

An Shenglong (安升龍), aged 45, is an assistant to our chief executive officer. Mr. An is primarily responsible for the financial and operational management of our Shenyang project. Mr. An has approximately seven years of experience in real estate, financial management, project management and hotel management. He joined our Group in August 2008 as the general manager of Wuhan Eastern Zall Properties Co., Ltd. and has held various positions within our Group, including department head of the finance and engineering departments of Zall Development (Wuhan) Co., Ltd.. From July 2003 to June 2005, he was the general manager of Ramada Hotel Xiamen Co., Ltd. (廈門長升大酒店有限公司). Mr. An received a bachelor's degree in economics from Zhongnan University of Economics and Law (中南財經政法大學) in July 1989.

Li Bin (李斌), aged 42, is the deputy general manager of North Hankou Group Co., Ltd.. Mr. Li is currently responsible for the day-to-day operational management and property management of our North Hankou Project. Mr. Li has over 13 years of experience in property management and market management. Mr. Li joined the Group in July 2007 as the general manager of Wuhan North Hankou Market Management Co., Ltd. and has held various positions within our Group. From May 1999 to June 2007, Mr. Li was manager of the property management department of Meijia Property Management (Wuhan) Co., Ltd. (美佳物業管理(深圳)有限公司武漢分公司). Mr. Li received a diploma in Chinese language and literature education from Hubei University (湖北大學) in 1995.

Tian Hu (田虎), aged 43, is the general manager of the decoration works department of Zall Development (Wuhan) Co., Ltd.. Mr. Tian is primarily responsible for the construction and decoration of our North Hankou Project and No.1 Enterprise Community. Mr. Tian has approximately 11 years of experience in engineering management and project decoration management. He joined our Group in June 2006 as head of the decoration works department of Zall Development (Wuhan) Co., Ltd.. From October 2005 to March 2006, Mr. Tian was the general manager of Shenzhen Jiayin Decoration Co., Ltd. (Wuhan Branch) (深圳嘉音裝飾公司武漢分公司). Mr. Tian received a diploma in industrial arts from Jiangnan University (江漢大學) in July 1992.

Cao Tianbin (曹天斌), aged 44, is the general manager of our marketing department. Mr. Cao is primarily responsible for the overall marketing and promotion of our Changsha project. Mr. Cao has approximately five years of experience in the wholesale market and investment management industries, and has over 16 years of experience in the operational management of commercial projects. He joined us in August 2008 as the general manager of the merchandising department of North Hankou Group Co., Ltd. and has also been assistant general manager of North Hankou Market Management Co., Ltd. since October 2009. Prior to joining the Group in August 2008, he was the vice general manager of Wuhan Wenhua Printing Co., Ltd. (武漢文華印務有限公司) from August 1996 to July 2008. Mr. Cao received a diploma in mechanical and electrical engineering from Lanzhou University of Technology (蘭州理工大學) (formerly known as Gansu University of Industry (甘肅工業大學)) in July 1991 and a master's degree in finance from Zhongnan University of Economics and Law (中南財經政法大學) in December 2001.

Company Secretary

Fung Che Wai Anthony (馮志偉), aged 44, is our chief financial officer and company secretary. See the paragraph headed "Senior Management" above for the description of Mr. Fung's experience.

Board Committees

Audit Committee

We established an audit committee on June 20, 2011 in compliance with the Listing Rules. The primary responsibilities of the audit committee are to review and monitor financial reporting and internal control principles of the Company and to assist the board to fulfill its responsibilities over audit.

The audit committee consists of our three independent non-executive directors, namely, Mr. Cheung Ka Fai, Mr. Peng Chi and Ms. Yang Qiongzhen. Mr. Cheung Ka Fai serves as the chairman of the audit committee.

Remuneration Committee

We established a remuneration committee on June 20, 2011 in compliance with the Listing Rules. The principal responsibilities of the remuneration committee are to formulate and recommend remuneration policy to the board, to determine the remuneration of executive directors and members of senior management, to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the board from time-to-time and to make recommendation on other remuneration-related issues.

The remuneration committee consists of our two independent non-executive directors, namely, Mr. Peng Chi and Ms. Yang Qiongzhen, and our executive director, Mr. Fang Li. Mr. Peng Chi serves as the chairman of the remuneration committee.

Nomination Committee

We established a nomination committee on June 20, 2011 in compliance with the Listing Rules. The nomination committee is responsible for reviewing the structure, size and composition of the board, making recommendation to the board on selection of candidates for directorships, appointment, reappointment of directors and board succession and assessing the independence of independent non-executive directors.

The nomination committee consists of our two independent non-executive directors, namely, Ms. Yang Qiongzhen and Mr. Peng Chi, and our executive director, Mr. Cui Jinfeng. Ms. Yang Qiongzhen serves as the chairman of the nomination committee.

Compensation of Directors

The aggregate amount of compensation (including any fees, salaries, retirement scheme contributions, allowances and benefits in kind) paid by us in 2010, 2011 and 2012, to those persons who have been or are our directors, was approximately RMB6.8 million, RMB9.8 million and RMB7.8 million (US\$1.3 million), respectively.

Share Option Schemes

We have adopted a Pre-IPO Share Option Scheme (the “Pre-IPO Share Option Scheme”) and a Post-IPO Share Option Scheme (the “Post-IPO Share Option Scheme”) on June 20, 2011 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations.

As of December 31, 2012, share options to subscribe for 29,452,500 shares under the Pre-IPO Share Option Scheme had been issued and not yet exercised. No further option could be granted under the Pre-IPO Share Option Scheme.

As of December 31, 2012, no options had been granted under the Post-IPO Share Option Scheme.

Directors’ and Chief Executive’s Interests in Securities

As of December 31, 2012, the interests or short positions of each director and chief executive in the shares, underlying shares or debentures of the Company or its any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are being taken or deemed to have taken under such provision of the SFO), or were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in the Listing Rules to be notified to the Company and the Hong Kong Stock Exchange were as follows:

Interests in shares of the Company

<u>Name of director</u>	<u>Nature of interest</u>	<u>Number of shares held</u>	<u>Percentage of shareholding in our Company⁽²⁾</u>
Yan Zhi ⁽¹⁾	Interest of a controlled corporation	2,975,000,000	85%

Notes:

- (1) The 2,975,000,000 shares are held by Zall Development Investment Company Limited, a company which is wholly owned by Yan Zhi
- (2) The percentage represents the number of ordinary shares interested divided by the number of the Company’s issued shares as of December 31, 2012.

Interests in underlying shares of the Company

<u>Name of director</u>	<u>Nature of interest</u>	<u>Exercised/lapsed/cancelled share options from June 20, 2011 to December 31, 2012</u>	<u>Number of share options outstanding as of December 31, 2012</u>	<u>Approximate percentage of shareholding upon full exercise of share options⁽¹⁾</u>
Yan Zhi.....	Beneficial owner	-	14,875,000	0.4214%
Cui Jinfeng	Beneficial owner	-	1,487,500	0.0421%
Fang Li	Beneficial owner	-	1,190,000	0.0337%
Wang Danli	Beneficial owner	-	1,338,750	0.0379%
Fu Gaochao	Beneficial owner	-	1,487,500	0.0421%

Note:

- (1) The percentage represents the number of underlying shares interested divided by the enlarged issued share capital assuming the relevant share options are exercised.

Save as disclosed above, as of December 31, 2012, none of the directors or chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be maintained under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding Shares as of December 31, 2012 by those persons who beneficially own more than 5% of our outstanding Shares, as recorded in the register maintained by us pursuant to the SFO:

Name	Nature of interest	Number of shares held	Percentage of shareholding in our Company ⁽¹⁾
Yan Zhi ⁽²⁾	Interest of a controlled corporation	2,975,000,000	85%
Zall Development Investment Company Limited ⁽²⁾	Beneficial owner	2,975,000,000	85%

Notes:

(1) The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as of December 31, 2012.

(2) The 2,975,000,000 shares are held by Zall Development Investment Company Limited, a company which is wholly owned by Yan Zhi.

DIVIDENDS

Subject to the Cayman Companies Law and the Articles of Association of the Issuer, the Issuer in general meeting may declare dividends but no dividends shall exceed the amount recommended by the board of directors of the Issuer. The board of directors of the Issuer may from time to time pay such interim dividends to the Shareholders of the Issuer as may appear to the board of directors to be justified by the profits of the Issuer. No dividend shall be paid otherwise than out of the profits of the Issuer or with the sanction of an ordinary resolution, out of the share premium account or other fund or account authorized for this purpose in accordance with the Cayman Companies Law. No dividends shall carry interest.

The Issuer declared a total dividend of 10 HK¢ per share for the year ended December 31, 2011.

The Issuer declared a total dividend of 6 HK¢ per share for the year ended December 31, 2012.

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, will be attached to the reverse of each of the definitive certificates evidencing the Bonds.

The issue of up to US\$150,000,000 in aggregate principal amount of 5.50 per cent. convertible bonds due 2018 (the "**Bonds**", which term shall include, unless the context requires otherwise, the initial Bonds in aggregate principal amount of US\$100,000,000 issued on 19 June 2013 (the "**Issue Date**") and any additional Bonds up to an additional aggregate principal amount of US\$50,000,000 issued pursuant to the option, subject to agreement of the Issuer and the relevant initial purchaser, 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 Zall Development Group Limited (the "**Issuer**") and the right of conversion into Shares (as defined in Condition 6(A)(v)) was authorised by a resolution of the board of directors of the Issuer dated 7 June 2013. The Bonds are jointly and severally guaranteed by the initial Subsidiary Guarantors (as defined below). Each subsidiary of the Issuer that in the future provides a "JV Subsidiary Guarantee" (as defined herein) is referred to as a "**JV Subsidiary Guarantor**". The giving of the Subsidiary Guarantees (as defined below) was authorised by a resolution of the board of directors and a resolution of the shareholders of each of the Subsidiary Guarantors dated 7 June 2013. The Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have the benefit of the CB Security (as defined below) as set out in Condition 1(D). The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated the Issue Date made between the Issuer, the Subsidiary Guarantors and The Hongkong and Shanghai Banking Corporation Limited as trustee for the holders of the Bonds (the "**Trustee**", which expression shall include all persons for the time acting as trustee or trustees under the Trust Deed and as security trustee (in such capacity, the "**Security Trustee**") for the holders of the Bonds and the other secured parties set out under the Trust Deed (and together with the holders of the Bonds, the "**CB Secured Parties**"). 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 the CB Security Documents (as defined below), and are deemed to have notice of those provisions applicable to them of the paying, conversion and transfer agency agreement dated the Issue Date (the "**Agency Agreement**") relating to the Bonds made between the Issuer, the Subsidiary Guarantors, the Trustee, the Security Trustee, The Hongkong and Shanghai Banking Corporation Limited as principal paying, conversion and transfer agent (the "**Principal Agent**"), The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**") 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, the Agency Agreement and the CB Security Documents are available for inspection during usual business hours with prior written notification at the principal office for the time being of the Trustee (presently at HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified offices for the time being of each of the Agents).

Unless otherwise defined herein, terms used in these Conditions shall have the same meanings ascribed to them in Condition 20.

1. Status, Guarantees and Security

(A) Status

The Bonds constitute direct, unconditional, unsubordinated and secured 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, at all times rank at least equally with all of the Issuer's other present and future unsecured and unsubordinated obligations.

(B) Subsidiary Guarantees

- (i) *Subsidiary Guarantees*: Each initial Subsidiary Guarantor has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Bonds, the Trust Deed and the Agency Agreement. Each Subsidiary Guarantor's obligations in that respect (the "**Subsidiary Guarantee**") are contained in the Trust Deed.
- (ii) *Status of the Subsidiary Guarantees*: Each of the Subsidiary Guarantees constitutes direct, unconditional, unsubordinated and secured obligations of the relevant Subsidiary Guarantor

and shall, save for such exceptions as may be provided by mandatory provisions of applicable law, at all times rank at least equally with all of the relevant Subsidiary Guarantor's other present and future unsecured and unsubordinated obligations.

- (iii) *Initial Subsidiary Guarantors*: The initial Subsidiary Guarantors (comprising all of the Subsidiaries of the Issuer (other than Subsidiaries organised under the laws of the PRC) which guarantee the payment obligations of the Issuer under the Bonds as of the Issue Date) are Zall Development (BVI) Holding Company Limited, Zall Development (HK) Holding Company Limited and Zhen An Properties Limited.
- (iv) *Future Subsidiary Guarantors*: The Issuer will cause each of its future Subsidiaries (other than Subsidiaries organised under the laws of the PRC), as soon as practicable and in any event within 30 days after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a *supplemental* trust deed to the Trust Deed in accordance with the terms of the Trust Deed, pursuant to which such Restricted Subsidiary will, jointly and severally with the existing Subsidiary Guarantors, guarantee, as either a Subsidiary Guarantor or a JV Subsidiary Guarantor, the due payment in full of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds, *provided* that each JV Subsidiary Guarantee will be limited to the JV Entitlement Amount of the relevant JV Subsidiary Guarantor.
- (v) *Offshore-Non-Guarantor Subsidiaries*: Notwithstanding Condition 1(B)(iv), the Issuer may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organised outside the PRC (an “**Offshore Subsidiary**”) not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary, *provided* that, (a) at the time of determination, the total Non-Guaranteed Portion would not exceed 10 per cent. of Total Assets and (b) such designation would not cause a Default.

The Board of Directors may at any time remove the designation of any Offshore Non-Guarantor Subsidiary as such, and unless such Offshore Subsidiary is designated an Unrestricted Subsidiary, it will become a Subsidiary Guarantor or JV Subsidiary Guarantor and execute a supplemental trust deed pursuant to which it will Guarantee the Bonds under a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the provisions of the Trust Deed and these Conditions, within 30 days of the date on which its designation as an Offshore Non-Guarantor Subsidiary was removed. Simultaneously, the Issuer will cause all of the Capital Stock in such Offshore Subsidiary (unless it is the Subsidiary of a JV Subsidiary Guarantor) owned by the Issuer and its Restricted Subsidiaries to be pledged to secure the Bonds, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any) and any Permitted Pari Passu Secured Indebtedness.

Any designation of an Offshore Subsidiary as an Offshore Non-Guarantor Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the Board of Directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions.

If, at any time, the Non-Guaranteed Portion exceeds 10 per cent. of Total Assets, the Issuer must remove the designation of one or more Offshore Non-Guarantor Subsidiaries such that the 10 per cent. limitation is complied with. This removal of designation must be made within 30 days from the date consolidated financial statements of the Issuer for the most recent fiscal quarter (which the Issuer must use its best efforts to compile on a timely basis) become available (which may be internal consolidated financial statements).

- (vi) *Release of a Subsidiary Guarantee*: The Subsidiary Guarantees may be released (on the occurrence of the events set out in paragraphs (a), (b) and (c) below, only in relation to the Subsidiary Guarantor affected) if:
 - (a) in relation to any Subsidiary Guarantor, such Subsidiary Guarantor is disposed of in accordance with these Conditions and the Trust Deed resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, *provided* that: (a) such Subsidiary Guarantor is simultaneously released from its obligations (if any) in respect of any other Indebtedness of the Issuer or any Restricted Subsidiary; and (b) the proceeds of any such disposal are used for purposes either permitted or required by these Conditions or the Trust Deed;

- (b) in relation to any Subsidiary Guarantor, the Issuer designates such Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with these Conditions and the Trust Deed;
- (c) upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee (as described below); or
- (d) all amounts due and payable under the Bonds then outstanding and the Trust Deed have been paid in full or upon full conversion of the Bonds then outstanding in accordance with these Conditions and the Trust Deed.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Bondholders until the Issuer has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by the Trust Deed.

- (vii) *Replacement of Subsidiary Guarantee with JV Subsidiary Guarantee:* A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Issuer or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance is of no less than 20 per cent. and no more than 49.9 per cent. of the issued Capital Stock of the relevant Subsidiary Guarantor so that such Subsidiary Guarantor becomes a JV Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:
 - (a) concurrently with the release of such Subsidiary Guarantee, the Issuer and such JV Subsidiary Guarantor have delivered to the Security Trustee:
 - (1) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Subsidiary of such JV Subsidiary Guarantor that is not a PRC Subsidiary, which provides, among other things, that the aggregate claims of the Security Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount of the JV Subsidiary Guarantor;
 - (2) a duly executed Security Document that pledges in favour of the Security Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Issuer or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
 - (3) an Officers' Certificate of such JV Subsidiary Guarantor certifying a copy of a board resolution of such JV Subsidiary Guarantor to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and
 - (4) a legal opinion by a law firm of recognised international standing confirming that under Hong Kong law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions);
 - (b) such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an Independent Financial Advisor appointed by the Issuer;
 - (c) as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion does not exceed 10 per cent. of Total Assets;
 - (d) all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (x) the Issuer and its

Restricted Subsidiaries and (y) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and

- (e) as of the date of such proposed release, no document exists that is binding on the Issuer or any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Issuer or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee, (ii) prohibiting the Issuer or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (iii) requiring the Issuer or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favourable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in these Conditions and the Trust Deed, including, without limitation, Condition 4(D) and Condition 4(K).

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Issuer (or any Restricted Subsidiary) in accordance with Condition 4(K).

- (viii) *Future Subsidiary Guarantors*: Each Subsidiary of the Issuer that guarantees the Bonds after the Issue Date, other than a JV Subsidiary Guarantor, is referred to as a "**Future Subsidiary Guarantor**" and, upon execution of the applicable supplemental trust deed, will be a "**Subsidiary Guarantor**".

(C) JV Subsidiary Guarantees

- (i) *No initial JV Subsidiary Guarantors*: There will be no JV Subsidiary Guarantors on the Issue Date.
- (ii) *JV Subsidiary Guarantors*: In the case of a Restricted Subsidiary (i) that is established or commences investment for the purposes of commencing business activities after the Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC and (iii) in respect of which the Issuer or any of its Restricted Subsidiaries (x) is proposing to divest, whether through the sale of existing Capital Stock or the issuance of new Capital Stock, no less than 20 per cent. and no more than 49.9 per cent. of the Capital Stock of such Restricted Subsidiary, or (y) is proposing to purchase no less than 50.1 per cent. of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Issuer may, concurrently with the consummation of such sale, issuance or purchase, provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee for (a) such Restricted Subsidiary and (b) the Subsidiaries of such Restricted Subsidiary that are organised in any jurisdiction other than the PRC to guarantee the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds, if the following conditions are satisfied or complied with:
 - (a) concurrently with providing the JV Subsidiary Guarantee (as defined below), the Issuer and such JV Subsidiary Guarantor have delivered to the Security Trustee:
 - (1) a duly executed guarantee of such JV Subsidiary Guarantor (a "**JV Subsidiary Guarantee**") and each Subsidiary of such JV Subsidiary Guarantor that is not organised under the laws of the PRC and a duly executed supplemental trust deed to the Trust Deed, which provides, among other things, that the aggregate claims of the Security Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor;
 - (2) a duly executed Security Document that pledges in favour of the Security Trustee the Capital Stock of such JV Subsidiary Guarantor held by the Issuer or

any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;

- (3) an Officers' Certificate of such JV Subsidiary Guarantor certifying a copy of a board resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the board of directors of such JV Subsidiary Guarantor; and
 - (4) a legal opinion by a law firm of recognised international standing confirming that under Hong Kong law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing the JV Subsidiary Guarantee (subject to customary qualifications and assumptions);
- (b) such sale or issuance of Capital Stock is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an Independent Financial Advisor appointed by the Issuer;
 - (c) as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion does not exceed 10 per cent. of Total Assets;
 - (d) all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Issuer and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor; and
 - (e) as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Issuer or any of the Restricted Subsidiaries that would have the effect of (i) prohibiting the Issuer or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (ii) requiring the Issuer or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favourable to the recipients of such guarantee than the JV Subsidiary Guarantee.

Notwithstanding the foregoing paragraph, any such sale, issuance or purchase of the Capital Stock of the relevant JV Subsidiary Guarantor (including where such sale results in the relevant JV Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in these Conditions and the Trust Deed, including, without limitation, Condition 4(D) and Condition 4(K).

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Issuer (or any Restricted Subsidiary) in accordance with Condition 4(K).

- (iii) *Status of the JV Subsidiary Guarantees:* If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor constitutes a general obligation of such JV Subsidiary Guarantor, and shall, save for *exceptions* as may be provided by mandatory provisions of applicable law and subject to Condition 4(I), be limited to the JV Entitlement Amount of such JV Subsidiary Guarantor, and at all times rank at least *pari passu* with all of the other present and future unsecured, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor.
- (iv) *Release of JV Subsidiary Guarantee:* The JV Subsidiary Guarantee of a JV Subsidiary Guarantor (if any) may be released (*on* the occurrence of the events set out in paragraphs (a) and (b) below, only in relation to the affected JV Subsidiary Guarantor) if:
 - (a) in relation to any JV Subsidiary Guarantor, such JV Subsidiary Guarantor is disposed of in accordance with these Conditions and the Trust Deed resulting in such JV Subsidiary Guarantor no longer being a Restricted Subsidiary, *provided* that: (a) such JV Subsidiary Guarantor is simultaneously released from its obligations (if any) in

respect of any other Indebtedness of the Issuer or any Restricted Subsidiary; and (b) the proceeds of any such disposal are used for purposes either permitted or required by these Conditions or the Trust Deed;

- (b) in relation to any JV Subsidiary Guarantor, the Issuer designates such JV Subsidiary Guarantor to be an Unrestricted Subsidiary in accordance with these Conditions and the Trust Deed; or
- (c) all amounts due and payable under the Bonds then outstanding and the Trust Deed have been paid in full or upon full conversion of the Bonds then outstanding in accordance with these Conditions and the Trust Deed.

No release of a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Bondholders until the Issuer has delivered to the Trustee an Officers' Certificate of the Issuer stating that all requirements relating to such release have been complied with and that such release is authorised and permitted by the Trust Deed.

(D) Security

The Bonds, the Subsidiary Guarantee and the JV Subsidiary Guarantee (if any) have the benefit of the security (the "**CB Security**") constituted by (1) the share charges in respect of the ordinary shares of Zall Development (BVI) Holding Company Limited, Zall Development (HK) Holding Company Limited and Zhen An Properties Limited granted by the Issuer, Zall Development (BVI) Holding Company Limited and Zall Development (HK) Holding Company Limited (each, a "**Chargor**") and the share charges in respect of the ordinary shares of each of the Future Subsidiary Guarantors and JV Subsidiary Guarantors (if any) (collectively, the "**Share Charges**") and (2) the Trust Deed (the Trust Deed and the Share Charges and the other agreements or instruments that may evidence or create any security in favour of the Security Trustee in any or all of the Collateral, including any Intercreditor Agreement, collectively the "**CB Security Documents**"), as security, *inter alia*, for all amounts payable on the Bonds and all present and future liabilities and obligations of the obligors under the Bonds, the Subsidiary Guarantee, the JV Subsidiary Guarantee (if any), these Conditions and the Trust Deed. The Issuer will cause the holders of the ordinary shares of each of the Future Subsidiary Guarantors, at the same time a supplemental trust deed is delivered under Condition 1(B)(iv) above, to execute and deliver to the Security Trustee a share charge in respect of the ordinary shares of such Future Subsidiary Guarantor to secure, *inter alia*, all amounts payable on the Bonds and all present and future liabilities and obligations of the obligors under the Bonds, the Subsidiary Guarantee, these Conditions and the Trust Deed. Additionally, if any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Issuer or any Subsidiary Guarantor shall be pledged to secure the obligations of, *inter alia*, the Issuer under the Bonds and the Trust Deed and the obligations of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee, as the case may be, in the manner described above. However, no JV Subsidiary Guarantor will be obliged to provide a Security Document pledging the Capital Stock of its direct or indirect Subsidiaries as security.

Each Subsidiary of the Issuer (other than Subsidiaries organised under the laws of the PRC) that gives such security after the Issue Date is referred to as a "**Future Chargor**" and, upon execution of the applicable supplemental trust deed, will be a "**Chargor**".

The Security Trustee or its nominee shall hold the security under the CB Security Documents for the benefit of the Bondholders pursuant to the provisions of the Trust Deed and the Intercreditor Agreement (if any). In the event of the occurrence of an Event of Default under Condition 10(A) or in any other event where the CB Security becomes enforceable under the CB Security Documents and the Intercreditor Agreement (if any), the Security Trustee may, in accordance with the CB Security Documents and the Intercreditor Agreement (if any), enforce the CB Security.

Neither the Trustee nor the Security Trustee shall be bound to take any such proceedings or action, unless it is indemnified and/or secured and/or pre-funded to its satisfaction.

Release of CB Security

The CB Security may be released in certain circumstances, including:

- (i) all amounts due and payable under the Bonds then outstanding and the Trust Deed have been paid in full or upon full conversion of the Bonds then outstanding and delivery of the Shares issuable thereunder in accordance with these Conditions and the Trust Deed;
- (ii) with respect to the CB Security, dispositions of the Collateral, in compliance with Condition 4(F) or 4(K) or in accordance with Condition 4(L); and
- (iii) with respect to the CB Security granted by a Chargor, upon release of the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, of such Chargor in accordance with these Conditions and the Trust Deed.

No release of CB Security shall be effective against the Trustee, the Security Trustee or the Bondholders until the Issuer has delivered to the Trustee and the Security Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorised and permitted by the terms of the CB Security Documents and the Intercreditor Agreement if any.

2. Form, Denomination and Title

(A) *Form and Denomination*

The Bonds are in registered form in the denomination of US\$200,000 each (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 Issuer will procure to be kept by the Registrar.

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

3. Transfers of Bonds; Issue of Certificates

(A) *Register*

The Issuer will cause the Register to be kept at the specified office of the Registrar outside Hong Kong and 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 reasonably 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 Certificate will be effected in accordance with the 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 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 Issuer's expense) to the address specified in the form of transfer. The Registrar will, within five business days of receipt by the Registrar or any Transfer Agent of the documents above, register the transfer in question.

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

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 or converted, a new Certificate in respect of the Bonds not so transferred or converted will, within five business days of delivery of the original Certificate to the Registrar or other relevant Agent, 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 or converted (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

(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 Issuer, the Registrar or any of the Transfer Agents, but (i) upon payment (or the giving of such indemnity as the Issuer 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 Condition 3(F).

(E) *Closed Periods*

No Bondholder may require the transfer of a Bond to be registered (i) during the period of seven business days ending on (and including) the dates for payment of any principal or premium pursuant to the Conditions; (ii) after a Conversion Notice (as defined in Condition 6(B)) has been delivered by such Bondholder with respect to a Bond; (iii) after a Relevant Event Redemption Notice (as defined in Condition 8(D)) has been deposited by such Bondholder in respect of such Bond pursuant to Condition 8(D); (iii) after a put notice has been deposited by such Bondholder in respect of such Bond pursuant to Condition 8(E); (iv) during the period of seven business days ending on (and including) any date of redemption pursuant to Conditions 8(B) and 8(C); and (v) during the period of seven business days ending on (and including) any Interest Record Date (as defined in Condition 7(A)). 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 Issuer, with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder upon request.

(G) *Business Day*

For the purposes of this Condition 3, "**business day**" shall mean a day other than a Saturday or Sunday on which banks are open for business 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.

4. Covenants

(A) *Permitted Pari Passu Secured Indebtedness*

On or after the Issue Date, the Chargor may create Liens on the Collateral ranking *pari passu* with the Lien created pursuant to the CB Security Documents for the benefit of the Bondholders (including the Option Bonds and the Additional Bonds) to secure Indebtedness of the Issuer and any Pari Passu Subsidiary Guarantee of a Chargor with respect to such Indebtedness (such Indebtedness of the Issuer and any such Pari Passu Subsidiary Guarantee, "**Permitted Pari Passu Secured Indebtedness**"); provided that (a) except in the case of the Option Bonds and the Additional Bonds, the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement referred to below; (b) the agreement in respect of such Indebtedness contains provisions with respect to releases of the Collateral and such Pari Passu Subsidiary Guarantee is substantially similar to and no more restrictive on the Issuer and such Chargor than the provisions of the Trust Deed and the CB Security Documents; and (c) the Issuer and the other Chargors promptly deliver to the Trustee an Opinion of Counsel and an Officers' Certificate in respect of corporate and collateral matters in connection with the CB Security Documents, in each case in form and substance as set forth in the CB Security Documents or otherwise satisfactory to the Trustee. The Trustee is permitted and authorised, without the consent of any Bondholder, to enter into any amendments to the CB Security Documents or the Trust Deed and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this Condition (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement referred to below to hold the Collateral on behalf of the Bondholders and the holders of Permitted Pari Passu Secured Indebtedness).

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Issuer and its Restricted Subsidiaries are not permitted to issue or Incur any other Indebtedness secured by all or any portion of the Collateral without the consent of the Bondholders by way of an Extraordinary Resolution.

Prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than in respect of any Option Bonds or Additional Bonds), the Trustee and the Security Trustee shall enter into an intercreditor agreement (the "**Intercreditor Agreement**"), the terms of which shall be satisfactory to the Trustee and the Security Trustee, with the Chargors and the holders of such Permitted Pari Passu Secured Indebtedness (or their duly authorised representative). The Intercreditor Agreement shall provide, among other things, that (a) the parties thereto shall have equal priority and pro rata entitlement in and to the Collateral; (b) the conditions under which the parties thereto shall consent to the discharge of or granting of any Lien on such Collateral; and (c) the conditions under which the parties thereto shall enforce their rights with respect to such Collateral and the Indebtedness secured thereby. Neither the Trustee nor the Security Trustee shall incur any liability for entering into the Intercreditor Agreement in accordance with and except as provided for in the Trust Deed.

(B) *Financial Covenants*

So long as any Bond remains outstanding, the Issuer shall not directly or indirectly, permit:

- (i) the ratio of Consolidated Net Debt as at the end of any Relevant Period to Total Equity Attributable to Shareholders as at the end of that Relevant Period to exceed 75 per cent.
- (ii) Total Equity Attributable to Shareholders as at the end of any Relevant Period to be less than RMB4,000,000,000.

The financial covenants set out in this Condition 4(B) shall be (where applicable) calculated in accordance with GAAP and tested by reference to the audited (or at the case may be, unaudited) consolidated statements of financial position of the Issuer as at the end of the Relevant Period.

(C) *Shareholding in Issuer*

So long as any of the Bonds are outstanding, Mr Yan Zhi shall at all times own (directly or indirectly) not less than 51 per cent. of the voting rights of the issued share capital of the Issuer.

(D) *Limitation on Restricted Payments*

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in Conditions 4(D)(i) through 4(D)(iv) below being collectively referred to as “**Restricted Payments**”):

- (i) declare or pay any dividend or make any distribution on or with respect to the Issuer’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable solely in shares of the Issuer’s or any of its Restricted Subsidiaries’ Capital Stock (other than Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Issuer or any Wholly Owned Restricted Subsidiary;
- (ii) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Issuer or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Issuer or any Wholly Owned Restricted Subsidiary;
- (iii) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Bonds, any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Issuer and any of its Restricted Subsidiaries); or
- (iv) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default shall have occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Issuer and its Restricted Subsidiaries after the Issue Date, shall exceed the sum of:
 - (1) 50 per cent. of the aggregate amount of the Consolidated Net Income of the Issuer (or, if the Consolidated Net Income is a loss, minus 100 per cent. of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the financial quarter during which the Bonds are first issued and ending on the last day of the Issuer’s most recently ended financial quarter for which consolidated financial statements of the Issuer (which the Issuer shall use its best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (2) 100 per cent. of the aggregate Net Cash Proceeds received by the Issuer after the Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Issuer, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Issuer into Capital Stock (other than Disqualified Stock) of the Issuer, or (y) the exercise by a Person who is not a Subsidiary of the Issuer of any options, warrants or other rights to acquire Capital Stock of the Issuer (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Issuer; plus
 - (3) the amount by which Indebtedness of the Issuer or any of its Restricted Subsidiaries is reduced on the Issuer’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Issuer) subsequent to the Issue Date of any

Indebtedness of the Issuer or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Issuer (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Issuer upon such conversion or exchange); plus

- (4) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Issue Date in any Person resulting from (w) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Issuer or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Issue Date, (x) the unconditional release of a Guarantee provided by the Issuer or a Restricted Subsidiary after the Issue Date of an obligation of another Person, (y) to the extent that an Investment made after the Issue Date was, or after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (A) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (B) the initial amount of such Investment, or (z) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Issuer or a Restricted Subsidiary after the Issue Date in any such Person or Unrestricted Subsidiary; plus
- (5) U.S.\$10 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (I) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (II) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness (as defined and included below in the definition of "Categories of Indebtedness");
- (III) the redemption, repurchase or other acquisition of Capital Stock of the Issuer or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a substantially concurrent sale (other than to a Subsidiary of the Issuer) of, shares of Capital Stock (other than Disqualified Stock) of the Issuer or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilised for any such Restricted Payment will be excluded from Condition 4(D)(iv)(b)(2);
- (IV) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer or any of the Subsidiary Guarantors or JV Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Issuer) of shares of the Capital Stock (other than Disqualified Stock) of the Issuer or any of the Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); *provided that* the amount of any such Net Cash Proceeds that are utilised for any such Restricted Payment will be excluded from Condition 4(D)(iv)(b)(2);
- (V) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis, or on a basis more favourable to the Issuer, to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Issuer;
- (VI) the payment of the final dividend for the fiscal year ended 31 December 2012 announced on 22 March 2013 in the amount of approximately RMB170,289,000;

- (VII) the declaration and payment of a final dividend by the Issuer for the fiscal year ended 31 December 2013 in an amount not to exceed 40 per cent. of the Consolidated Core Profit of such fiscal year;
- (VIII) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness outstanding on the Issue Date or permitted to be Incurred under paragraph (xvi) of the definition of “Categories of Indebtedness”; or
- (IX) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement which will upon completion of such Stage Acquisition Agreement, become a Restricted Subsidiary that is primarily engaged in a Permitted Business,

provided that, in the case of Condition 4(D)(II), 4(D)(III), 4(D)(IV), 4(D)(VI), 4(D)(VII), 4(D)(VIII) and 4(D)(IX) above, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to Condition 4(D)(I) shall be included in calculating whether Condition 4(D)(iv)(b) has been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Issuer or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this Condition 4(D) will be the Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an Independent Financial Advisor if the Fair Market Value exceeds U.S.\$10 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of U.S.\$10 million (or the Dollar Equivalent thereof) (other than any Restricted Payments made in accordance with Condition 4(D)(V) above), the Issuer will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by Condition 4(D) were computed, together with a copy of any fairness opinion or appraisal required by the Trust Deed.

(E) *Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*

- (i) Except as provided below, the Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Issuer or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligations owed to the Issuer or any other Restricted Subsidiary;
 - (c) make loans or advances to the Issuer or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Issuer or any other Restricted Subsidiary.
- (ii) Condition 4(E)(i) does not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Issue Date, or in the Bonds, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Trust Deed, the CB Security Documents, or under any Permitted Pari Passu Secured Indebtedness of the Issuer or any Chargor or Pari Passu Subsidiary Guarantees of any Subsidiary Guarantor or JV Subsidiary Guarantor, and any extensions, refinancings, renewals, supplements, amendments or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal, supplement, amendment or replacement, taken as a whole, are no more restrictive in

- any material respect to the Bondholders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Issuer or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Bondholders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (d) that otherwise would be prohibited by the provision described in Condition 4(E)(i)(d) if they arise, or are agreed to, in the ordinary course of business, and that (1) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or licence, (2) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Issuer or any Restricted Subsidiary not otherwise prohibited by the Trust Deed, or (3) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or any Restricted Subsidiary;
 - (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by Conditions, 4(F) and 4(K); or
 - (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness as defined in paragraphs (viii), (xiv) or (xv) in “Categories of Indebtedness” in Condition 20 if, as determined by the Board of Directors, the encumbrances or restrictions are (1) customary for such types of agreements and (2) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make any required payment on the Bonds and, with respect to paragraphs (viii) and (xv) in “Categories of Indebtedness” in Condition 20, any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided that* the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Bondholders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

(F) *Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries*

The Issuer will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (i) to the Issuer or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, *pro rata* to its shareholders or incorporators;
- (ii) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than the Issuer or a Wholly Owned Restricted Subsidiary;
- (iii) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under Condition 4(D) if made on the date of such issuance or sale and *provided that* the Issuer complies with Condition 4(K); and

- (iv) the issuance and sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided that* the Issuer or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with Condition 4(K).

(G) *Limitation on Issuances of Guarantees by Restricted Subsidiaries*

The Issuer will not permit any Restricted Subsidiary which is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness (“**Guaranteed Indebtedness**”) of the Issuer or any other Restricted Subsidiary, unless: (a)(i) such Restricted Subsidiary simultaneously executes and delivers a supplemental trust deed to the Trust Deed providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Bonds by such Restricted Subsidiary and (ii) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Issuer or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or its JV Subsidiary Guarantee, as the case may be, until the Bonds have been paid in full or (b) such Guarantee and such Guaranteed Indebtedness are permitted by paragraphs (iii), (iv) or (xiii) in “Categories of Indebtedness” in Condition 20 (other than, in the case of paragraph (xiii)(2) in “Categories of Indebtedness” in Condition 20, a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary) or paragraph (xv) in “Categories of Indebtedness” in Condition 20 (to the extent that the pledge of one or more bank accounts or bank deposits of the Issuer or any Restricted Subsidiary to secure any Bank Deposit Secured Indebtedness would constitute a Guarantee provided by the Issuer or such Restricted Subsidiary).

If the Guaranteed Indebtedness (a) ranks *pari passu* in right of payment with the Bonds, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, such Subsidiary Guarantee or JV Subsidiary Guarantee or (b) is subordinated in right of payment to the Bonds, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to such Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Bonds, such Subsidiary Guarantee or such JV Subsidiary Guarantee.

(H) *Limitation on Transactions with Shareholders and Affiliates*

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10 per cent. or more of any class of Capital Stock of the Issuer or (y) any Affiliate of the Issuer (each an “Affiliate Transaction”), unless:

- (i) the Affiliate Transaction is on fair and reasonable terms that are no less favourable to the Issuer or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s-length transaction by the Issuer or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Issuer or such Restricted Subsidiary; and
- (ii) the Issuer delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$10 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this Condition 4(H) and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$10 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in Condition 4(H)(ii)(a), an opinion as to the fairness to the Issuer or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an Independent Financial Advisor.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Issuer who are not employees of the Issuer;
- (2) transactions between or among the Issuer and any of its Restricted Subsidiaries or between or among Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in Conditions 4(D)(i) or 4(D)(ii) if permitted by Condition 4(D);
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Issuer;
- (5) the payment of compensation to officers and directors of the Issuer or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the Listing Rules, which as of the Issue Date requires a majority shareholder approval of any such scheme;
- (6) loans or advances to employees, officers or directors in its ordinary course of business not to exceed U.S.\$1.0 million in aggregate at any one time outstanding;
- (8) any Affiliate Transaction or series of related Affiliate Transactions entered into, renewed or extended, when taken together with any other Affiliate Transactions previously entered into, renewed or extended in respect of the same financial year, which does not involve an aggregate consideration in excess of U.S.\$1.0 million (or the Dollar Equivalent thereof).

In addition, the requirements of Condition 4(H)(ii) shall not apply to (i) Investments (other than Permitted Investments) not prohibited by Condition 4(D), (ii) transactions pursuant to agreements in effect on the Issue Date and described in the Offering Circular, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Issuer and its Restricted Subsidiaries than the original agreement in effect on the Issue Date and (iii) any transaction between or among the Issuer and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided that*, in the case of clause (iii) (x) such transaction is entered into in the ordinary course of business and (y) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary is a Person described in (a) or (b) of the first paragraph of this Condition 4(H) (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or by reason of being a Restricted Subsidiary).

(I) *Limitation on Liens*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien on the Collateral (other than Permitted Liens).

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (other than the Collateral), whether owned at the Issue Date or thereafter acquired, except Permitted Liens, unless the Bonds are equally and ratably secured by such Lien.

(J) *Limitation on Sale and Leaseback Transactions*

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; *provided that* the Issuer or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (i) the Issuer or any Restricted Subsidiary could have incurred a Lien to secure such Indebtedness pursuant to Condition 4(I), in which case, the corresponding Lien will be deemed incurred pursuant to those provisions;

- (ii) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (iii) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Issuer or any Restricted Subsidiary applies the proceeds of such transaction in compliance with, Condition 4(K).

The foregoing limitation does not limit, and shall not apply to any Sale and Leaseback Transaction entered into, when taken together with any other Sale and Leaseback Transactions previously entered into in respect of the same financial year, where the aggregate consideration receivable in respect of such Sale and Leaseback Transactions (or, if higher, higher of the aggregate market value) does not exceed 5 per cent. of the Total Turnover as at the relevant time of determination.

(K) *Limitation on Asset Sales*

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (i) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (ii) the consideration received by the Issuer or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and
- (iii) at least 75 per cent. of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided that* in the case of an Asset Sale in which the Issuer or such Restricted Subsidiary receives Replacement Assets involving an aggregate consideration with a Fair Market Value in excess of U.S.\$10 million (or the Dollar Equivalent thereof), the Issuer shall deliver to the Trustee an opinion as to the fairness to the Issuer or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an Independent Financial Advisor. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Issuer's most recent consolidated balance sheet, of the Issuer or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Bonds, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Issuer or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Issuer or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Issuer or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Issuer (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

- (I) permanently repay Senior Indebtedness of the Issuer or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Issuer or a Restricted Subsidiary; or
- (II) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (I) and (II) in the immediately preceding paragraph will constitute "Excess Proceeds". Excess Proceeds of less than U.S.\$10 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When the aggregate amount of Excess Proceeds exceeds U.S.\$10 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer must make an Offer to Purchase (in accordance with this Condition 4(K) and the Trust Deed) the Bonds having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Bonds and (y) the denominator of which is equal to the outstanding principal amount of the Bonds and all pari passu Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale rounded down to the nearest U.S.\$1,000.

The offer price in any Offer to Purchase will be equal to 100 per cent. of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Issuer may use those Excess Proceeds for any purpose not otherwise prohibited by the Trust Deed. If the aggregate principal amount of Bonds (and any other pari passu Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Bonds (and such other pari passu Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Pending applications of the Net Cash Proceeds or Excess Proceeds pursuant to this Condition 4(K), such Net Cash Proceeds or Excess Proceeds shall be invested in Temporary Cash Investment.

(L) *Limitation on Consolidation, Merger and Sale of Assets*

- (i) The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:
 - (a) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organised and validly existing under the laws of the Cayman Islands, Hong Kong, the British Virgin Islands or any jurisdiction thereof and shall expressly assume, by a supplemental trust deed to the Trust Deed, executed and delivered to the Trustee, all the obligations of the Issuer under the Trust Deed, the Bonds and the CB Security Documents to which it is a party, as the case may be, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organised or resident for tax purposes, and the Trust Deed, the Bonds and the CB Security Documents, as the case may be, shall remain in full force and effect;
 - (b) immediately prior to and after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (c) immediately after giving effect to such transaction on a pro forma basis, the Issuer or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer immediately prior to such transaction;
 - (d) the Issuer delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 4(L)(i)(c)) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental trust deed complies with this Condition 4(L) and that all conditions precedent provided for herein relating to such transaction have been complied with;
 - (e) the Issuer takes such steps as shall be required by the Trustee (including the execution of a deed supplemental to or amending the Trust Deed) to ensure that each Bond then outstanding will (during the period in which Conversion Rights may be exercised) be convertible into the class and amount of shares and other securities and other property receivable upon such consolidation, amalgamation, merger, sale or transfer by a holder of the number of Shares which would have become liable to be issued or transferred and delivered upon exercise of Conversion Rights immediately prior to such consolidation, amalgamation, merger, sale or transfer and such shares and

securities are listed and tradeable on the Stock Exchange or an Alternative Stock Exchange; and

- (f) each Subsidiary Guarantor and each JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is the Person with which the Issuer has entered into a transaction described under this Condition 4(L) shall execute and deliver a supplemental trust deed to the Trust Deed confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, shall apply to the obligations of the Issuer or the Surviving Person in accordance with the Bonds and the Trust Deed.
- (ii) No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Issuer, another Subsidiary Guarantor or another JV Subsidiary Guarantor), unless:
 - (a) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Issuer, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Issuer or a Subsidiary Guarantor);
 - (b) immediately prior to and after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (c) immediately after giving effect to such transaction on a pro forma basis, the Issuer shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Issuer immediately prior to such transaction; and
 - (d) the Issuer delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with Conditions 4(L)(ii)(c) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental trust deed complies with this Condition 4(L) and that all conditions precedent provided for herein relating to such transaction have been complied with,

provided that this paragraph shall not apply to any sale or other disposition that complies with Condition 4(K) or any Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, whose Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, is unconditionally released in accordance with the provisions described under Condition 1(B).

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Issuer or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Issuer or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

(M) *Limitation on the Issuer's Business Activities*

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than a Permitted Business; provided, however, that the Issuer or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by Condition 4(D).

(N) *Use of Proceeds*

The Issuer will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Bonds, in any amount, for any purpose other than in the approximate amounts and for the purposes specified under the section "Use of Proceeds" in the Offering Circular.

(O) *Designation of Restricted and Unrestricted Subsidiaries*

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; *provided that* (a) no Default shall have occurred, or be continuing at the time of or after giving effect to such designation; (b) neither the Issuer nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Issuer; (d) such Restricted Subsidiary does not own any Disqualified Stock of the Issuer or Disqualified Stock or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of the Issuer or any Restricted Subsidiary, if such Disqualified Stock or Preferred Stock or Indebtedness could not be Incurred under Condition 4(B) or such Lien would violate Condition 4(I); (e) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; and (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by Condition 4(D).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (a) no Default shall have occurred or be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by Condition 4(B); (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by Condition 4(I); (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (e) if such Restricted Subsidiary is not organised under the laws of the PRC, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental trust deed to the Trust Deed by which such Restricted Subsidiary shall become a Subsidiary Guarantor or JV Subsidiary Guarantor; and (f) if such Restricted Subsidiary is not organised under the laws of the PRC, all Capital Stock of such Restricted Subsidiary owned by the Issuer or any other Restricted Subsidiary shall be pledged as required under Condition 1(D).

(P) *Maintenance of Insurance*

The Issuer shall and shall cause each Subsidiary to maintain insurance policies covering such risks, in such amounts and with such terms as are normally carried by similar companies engaged in a similar business to the Permitted Business in the country in which such entity is located.

(Q) *Government Approvals and Licences; Compliance with Law*

The Issuer will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorisations, consents, permits, concessions and licences as are necessary to engage in the Permitted Businesses, (2) preserve and maintain good and valid title to its properties and assets (including land use rights) free and clear of any Liens other than Permitted Liens and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Issuer and its Restricted Subsidiaries taken as a whole or (b) the ability of the Issuer or any Subsidiary Guarantor or JV Subsidiary Guarantor to perform its obligations under the Bonds, the relevant Subsidiary Guarantee or JV Subsidiary Guarantee or the Trust Deed.

(R) *Anti-Layering*

The Issuer will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer or such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Bonds or the applicable Subsidiary Guarantee or JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favour of some but not all of such Indebtedness.

(S) Provision of Financial Information and Reports

- (i) So long as any of the Bonds remain outstanding, the Issuer will deliver to the Trustee and furnish to the Bondholders upon request, as soon as they are available but in any event not more than ten calendar days after they are filed with the Stock Exchange or any other recognised exchange on which the Issuer's Common Stock at any time is listed for trading, true and correct copies of any financial or other report in the English language filed by the Issuer with such exchange; *provided that* if at any time the Common Stock of the Issuer ceases to be listed for trading on a recognised exchange, the Issuer will deliver to the Trustee and furnish to the Bondholders:
- (a) as soon as they are available, but in any event within 120 calendar days after the end of the financial year of the Issuer, copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally recognised firm of independent accountants;
- (b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Issuer, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally recognised firm of independent accountants; and
- (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Issuer, copies of its unaudited financial statement (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Issuer together with a certificate signed by the person then authorised to sign financial statements on behalf of the Issuer to the effect that such financial statements are true in all material respects and present fairly the financial position of the Issuer as at the end of, and the results of its operations for, the relevant quarterly period.
- (ii) In addition, so long as any of the Bonds remain outstanding, the Issuer will provide to the Trustee as soon as possible and in any event within 30 days after the Issuer becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Issuer proposes to take with respect thereto.

5. Interest and Non-Conversion Premium Payment

(A) Interest

The Bonds bear interest from and including 19 June 2013 (the "**Issue Date**") at the rate of 5.50 per cent. per annum (the "**Rate of Interest**") payable semi annually in arrear on 19 December and 19 June in each year (each an "**Interest Payment Date**"), with the first Interest Payment Date commencing on 19 December 2013. Each Bond will cease to bear interest (a) where the Conversion Right attached to it shall have been exercised by a Bondholder, from and including the relevant Conversion Date (as defined below), or (b) where such Bond is redeemed or repaid pursuant to Condition 8 or Condition 10, from and including the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, it will continue to bear interest at 3.00 per cent. per annum above the rate aforesaid (both before and after judgment) until whichever is the earlier of (x) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (y) the day which is seven days after the Trustee or the Principal Agent has notified Bondholders that it is in receipt of all sums due in respect of such Bond up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

Interest in respect of any Bond shall be calculated per US\$200,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the Rate of Interest, the Calculation Amount and the Day Count Fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being

rounded upwards), where "**Day Count Fraction**" means, in respect of any period, a 360 day year consisting of 12 months of 30 days each.

(B) Non-Conversion Premium Payment

The Issuer shall pay a non-conversion premium payment of US\$13,160 per Calculation Amount upon any redemption of the Bonds in accordance with Condition 8 or 10(A) (the "**Non-Conversion Premium Payment**").

Unless the context otherwise requires, references in these Conditions to premium shall be deemed also to refer to the Non-Conversion Premium Payment which may be payable under this Condition. For the avoidance of doubt, any right of a Bondholder to the Non-Conversion Premium Payment will be forgone when the Bonds are converted pursuant to, and in accordance with, Condition 6.

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**" and each a "**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 the Issue Date up to the close of business (at the place where the Certificate evidencing such Bond is deposited for conversion) on the seventh day prior to the Maturity Date (as defined in Condition 8(A)) (both days inclusive), except as provided in Condition 6(A)(iv), and Condition 10, in no event thereafter) or, if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to the close of business (at the place aforesaid) on a date no later than seven 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 Issuer is closed generally or for the purpose of establishing entitlement to any distribution or other rights attaching to the Shares (a "**Book Closure Period**"), such Conversion Date shall be postponed to the first Stock Exchange Business Day (as defined in Condition 6(B)) 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 (translated into Hong Kong dollars at the fixed rate of HK\$7.7636 = US\$1.00 (the "**Fixed Exchange Rate**")) 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 11 June 2013 which reduces the number of Shares outstanding, the Issuer will upon conversion of Bonds pay in cash (in United States dollars by means of a United States dollar cheque drawn on either a bank in New York City or a bank in Hong Kong which has arrangements with a correspondent bank in New York City) a sum equal to such portion of the principal amount of the Bond or Bonds evidenced by the Certificate deposited in connection with the exercise of Conversion Rights, aggregated as provided in Condition 6(A)(i), as corresponds to any fraction of a Share not issued as a result of such consolidation or re-classification aforesaid if such sum exceeds US\$1.00 (as determined by translating the relevant Hong Kong dollar amounts into US Dollars at the Fixed Exchange Rate). Any such sum shall be paid not later than five Stock Exchange Business Days (as defined in Condition 6(B)(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 be HK\$3.0799 per Share, subject to adjustment in the manner provided in Condition 6(C) and Condition 6(D). For the purposes of these Conditions, "**Conversion Ratio**" means the principal amount of each Bond (translated into Hong Kong dollars at the Fixed Exchange Rate) divided by the applicable Conversion Price.
- (iv) *Revival and/or Survival after Default*: Notwithstanding the provisions of Condition 6(A)(i), if (a) the Issuer 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(A), 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), 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\$0.01 each of the Issuer 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 Issuer. The ISIN code of the Shares is KYG9888C1042.

(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 normal business hours 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. 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 Condition 10) 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 Book Closure Period will not be permitted to convert the Bonds into Shares (as specified in the Conversion Notice) until the first Stock Exchange Business Day following the expiry of such Book Closure Period. A Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless the Issuer consents in writing to such withdrawal or the Issuer 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 "**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 and registration duties arising on conversion (other than any taxes or capital or stamp duties payable in the Cayman Islands, the British Virgin Islands, the PRC and Hong Kong and, if relevant, in the place of the Alternative Stock Exchange, by the Issuer in respect of the allotment and issue of Shares and listing of the Shares on the 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 Issuer will pay all other expenses arising on the issue of Shares on conversion of Bonds and, except as otherwise provided in these Conditions, all charges of the Agents and the share transfer agent for the Shares. 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 Issuer 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 Condition 6(B)(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 Issuer's share register in Hong Kong and (B) (x) if the Bondholder has also requested in the Conversion Notice and for so long as the Shares are listed on the Stock Exchange to the extent permitted under 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; or (y) make such certificate or certificates available for collection at the office of the Issuer's share registrar in Hong Kong (currently Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, 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 Issuer 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. If the Issuer has elected to pay the converting Bondholder of the Bond cash in lieu of Shares pursuant to the Cash Settlement Option (as defined below) set forth in Condition 6(B)(vi), the number of such additional Shares shall be determined by assuming that the Issuer had not elected the Cash Settlement Option. In such case, the Issuer shall satisfy its obligations under this Condition 6(B)(iii) by paying, as soon as practicable and in any event not later than the seventh Stock Exchange Business Day following the relevant Cash Settlement Notice Date (as defined below), to the converting Bondholder the amount in United States dollars equal to the product of such additional Shares that the Issuer would be required to deliver (assuming the Cash Settlement Option had not been exercised) and the arithmetic average of the Volume Weighted Average Price of the Shares for each of the three consecutive Trading Days immediately following such adjustment of the Conversion Price (which shall be translated into US Dollars from Hong Kong dollars at the Prevailing Rate (as defined below)).

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 Issuer'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 (or before the actual payment date of the Cash Settlement Amount (in the event that the Issuer exercises the Cash Settlement Option)), (disregarding any retroactive adjustment of the Conversion Price referred to in this Condition 6(B)(iii) prior to the time such retroactive adjustment shall have become effective), the Issuer will calculate and pay to the converting Bondholder or his designee an amount in US dollars (which shall be translated into US Dollars from Hong Kong dollars at the Prevailing Rate) (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 United States dollar cheque drawn on either a bank in New York City or a bank in Hong Kong which has arrangements with a correspondent bank in New York City and sent to the address specified in the relevant Conversion Notice.

- (iv) *Accrued Interest:* Any interest accrued from the Interest Payment Date immediately preceding the relevant Conversion Date (or, if the relevant Conversion Date falls on or before the first Interest Payment Date, from and including the Issue Date) to, but excluding, the relevant *Conversion Date* shall be paid not later than the date the Shares are delivered or due to be delivered pursuant to Condition 6(B)(iii) by United States dollar cheque drawn on either a bank in New York City or a bank in Hong Kong which has arrangements with a correspondent bank in New York City or by transfer to a United States dollar account maintained by the payee with either a bank in New York City or a bank in Hong Kong or Singapore which has arrangements with a correspondent bank in New York City,, in accordance with instructions given by the relevant Bondholder in the Conversion Notice.
- (v) *Public Float Requirement:* If the issue of the Shares in satisfaction of the Conversion Right in respect of a Bond would result in the Issuer failing to meet its obligation under the Listing Rules to *maintain* the minimum prescribed percentage of the Shares that must at all times remain in public hands (as defined in the Listing Rules) or such other lower percentage permitted by the Stock Exchange at its discretion, then such Conversion Right in respect of a Bond shall be deemed not to have been exercised and the Conversion Notice in respect of such Conversion Right shall be withdrawn, without prejudice whatsoever to any later exercise of such Conversion Right.

- (vi) *Cash Settlement*: Notwithstanding the Conversion Right of each Bondholder in respect of each Bond, at any time when the Issuer is required to deliver Shares upon conversion of the Bonds following delivery of a Conversion Notice (including any additional Shares required to be delivered as described in Condition 6(B)(iii) above) and it is unable to do so without contravening the applicable laws of the Cayman Islands or the applicable listing rules of the Relevant Stock Exchange, the Issuer shall have the option to pay to the relevant Bondholder an amount of cash in United States dollars equal to the applicable Cash Settlement Amount (as defined below) in order to satisfy such portion of the Conversion Right which would cause the Issuer to contravene the applicable laws of the Cayman Islands or the applicable listing rules of the Relevant Stock Exchange (with the remaining portion of the Conversion Right to be satisfied by the delivery of Shares) (the "**Cash Settlement Option**"). In order to exercise the Cash Settlement Option, the Issuer shall provide notice of its intention to do so (the "**Cash Settlement Notice**") to the relevant Bondholder as soon as practicable but no later than the third Stock Exchange Business Day following the Conversion Date (the date of delivery of such Cash Settlement Notice, the "**Cash Settlement Notice Date**"). The Cash Settlement Notice must specify the number of Shares in respect of which the Issuer will make a cash payment in the manner described in this Condition 6(B)(vi). The Issuer shall pay the Cash Settlement Amount to the relevant Bondholder by no later than the seventh Stock Exchange Business Day following the Cash Settlement Notice Date. If the Issuer exercises its Cash Settlement Option in respect of Bonds held by more than one Bondholder which are to be converted on the same Conversion Date, the Issuer shall make the same proportion of cash and Shares available to all such converting Bondholders.

For the purposes of these Conditions, "**Cash Settlement Amount**" means the product of (i) the number of Shares otherwise deliverable upon exercise of the Conversion Right in respect of the Bond(s) to which the Conversion Notice applies, and in respect of which the Issuer has elected the Cash Settlement Option and (ii) the arithmetic average of the Volume Weighted Average Price of the Shares for each of the three consecutive Trading Days immediately following the Cash Settlement Notice Date (which shall be translated into US Dollars from Hong Kong dollars at the Prevailing Rate); and "**Prevailing Rate**" means, at the relevant time of determination, the base rate for the purchase of United States dollars with Hong Kong dollars as quoted by The Hongkong and Shanghai Banking Corporation Limited in Hong Kong at or about 11:00 a.m. (Hong Kong time) on the Business Day immediately before that day or if such rate is not available on such day, such rate prevailing on the immediately preceding day on which such rate is so available.

(C) Adjustments to Conversion Price

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

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

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

where:

A is the nominal 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 Issuer 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 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 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 such 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) If and whenever the Issuer shall pay or make any Distribution 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 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 a record date is fixed therefor, immediately after such record date or, if later for a Distribution in specie, the first date upon which the Fair Market Value of the Distribution is capable of being determined as provided in these Conditions.

For the avoidance of doubt, when the Distribution is by means of a distribution of a cash dividend or distribution, only such portion of the cash dividend or distribution which, when taken together with any other cash dividend or distribution previously made or paid in respect of the same financial year, exceeds 40 per cent. of the Issuer's most recently published Consolidated Core Profit result (whether for the full financial year or an interim period and whether audited or unaudited) for that financial year in respect of which such cash dividend or distribution is made (the "excess portion") shall be regarded as a Distribution and only the excess portion shall be taken into account in determining the Fair Market Value of the portion of the Distribution attributable to one Share (excluding any excess portion in respect of the same financial year which has previously resulted in an adjustment under this Condition 6(C)(iii)).

- (iv) *Rights Issues of Shares or Options over Shares:* If and whenever the Issuer shall issue Shares to all or *substantially* all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than the Current Market Price per Share on 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 or for the options or warrants or other rights issued or granted by way of rights and for the total number of Shares comprised therein would subscribe, purchase or otherwise acquire at the 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 Issuer 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, or the grant to all or substantially all Shareholders as a class by way of rights, 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 per Share on 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 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 Issuer 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 92.5 per cent. of the Current Market Price per Share on the date of announcement of the terms of such issue or grant, 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 grant of such options, warrants or other rights to subscribe, 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 by the Issuer of options, warrants or other rights to subscribe for or purchase 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 Issuer 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 Issuer or any of its Subsidiaries), any other company, person or entity shall issue any securities (other than the Bonds including any Option Bonds but excluding any Additional Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Issuer upon conversion, exchange or subscription at a consideration per Share which is less than 95 per cent. of the Current Market Price on the date of announcement of the terms of issue of such securities, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such issue by the following fraction:

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

where:

- A is the number of Shares in issue immediately before such issue;
- B is the number of Shares which the aggregate consideration (if any) receivable by the Issuer 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 95 per cent. of the Current Market Price for one Share on the date of announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before such modification by the following fraction:

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

where:

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

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

- (ix) *Other Offers to Shareholders*: If and whenever the Issuer 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 by the following fraction:

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

where:

- A is the Current Market Price of one Share on 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 Issuer*: If the Issuer 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 (ix) above) (even if the relevant event or circumstance is specifically excluded in these Conditions from the operation of paragraphs (i) to (ix) above), or that an adjustment should not be made (even if the relevant event or circumstance is specifically provided for in paragraphs (i) to (ix) above), or that the effective date for the relevant adjustment should be a date other than that mentioned in paragraphs (i) to (ix) above, the Issuer 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 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 arithmetic average of the Volume Weighted Average Price for one Share (being a Share carrying full entitlement to dividend) for each of the 30 consecutive Trading Days ending on the Trading Day immediately preceding such date; *provided that* if at any time during the said 30 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 Volume Weighted Average 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 Volume Weighted Average Price thereof increased by such similar amount;

and provided further that if the Shares on each of the said 30 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 Stock Exchange or, as the case may be, the equivalent quotation sheet of an Alternative Stock Exchange;

"Distribution" means: (i) any distribution in specie by the Issuer for any financial period, and whenever paid or made and however described or declared after the Issue Date, and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(ii)(A) by way of capitalisation of reserves and any Scrip Dividend to the extent an adjustment to the Conversion Price is made in respect thereof under Condition 6(C)(ii)(B)); and (ii) any cash dividend or distribution (including, without limitation, the Relevant Cash Dividend of a Scrip Dividend and a distribution or payment to holders upon or in connection with a reduction of capital) of any kind by the Issuer for any financial period whenever paid and however described, unless (and only to the extent that) it does not, when taken together with any other cash dividend or distribution previously made or paid in respect of the same financial year, exceed 40 per cent. of the Issuer's most recently published Consolidated Core Profit result (whether for the full financial year or an interim period and whether audited or unaudited) for that financial year in respect of which such cash dividend or distribution is made;

"Fair Market Value" means, with respect to any asset, security, option, warrant or other right on any date, the fair market value of that asset, security, option, warrant or other right as determined by an Independent 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 (other than any investment bank which acted as a lead manager, underwriter, bookrunner or placing agent in relation to the initial offering of the Bonds, and any of its affiliates), acting as an expert, selected by the Issuer and notified to the Trustee;

"Trading Day" means a day when the 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; and

"Volume Weighted Average Price" means, in respect of a Share on any Trading Day, or series of Trading Days, the order book volume-weighted average price of a Share appearing on or derived from Bloomberg (or any successor service) page "2098 HK Equity VWAP" (or any successor to or replacement of such page) or such other source as shall be determined to be appropriate by an Independent Investment Bank on such Trading Day, or series of Trading Days, provided that on any Trading Day where such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share in respect of such Trading Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Trading Day on which the same can be so determined.

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.

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 shall 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.

No adjustment will be made to the Conversion Price in the following circumstances:

- (i) when Shares or other securities (including rights or options) are issued, offered or granted to employees or former employees (including directors or former directors) of the Issuer or any Subsidiary of the Issuer pursuant to and in accordance with 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); and
- (ii) no adjustment involving an increase in the Conversion Price will be made, 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 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 Issuer, and neither the Trustee nor the Agents shall be responsible for verifying such determinations.

(D) Conversion Price Reset

On 19 June 2014 and 19 June 2015 (each a "**Reset Date**"), if the arithmetical average of the Volume Weighted Average Price of the Shares for each of the 30 consecutive Trading Days immediately prior to such Reset Date (which shall be translated into US Dollars from Hong Kong dollars at the Prevailing Rate) (each an "**Average Market Price**") is less than the Conversion Price (which shall be translated into US Dollars at the Fixed Exchange Rate) on such Reset Date, then the Conversion Price shall be adjusted on such Reset Date in accordance with the following formula:

Adjusted Conversion Price = Average Market Price translated into HKD at the Fixed Exchange Rate

Such adjusted Conversion Price shall be rounded down, if necessary, to the nearest whole multiple of HK\$0.01, *provided that*:

- (i) any such adjustment to the Conversion Price shall be limited such that the adjusted Conversion Price in no event shall (1) in the case of the Reset Date falling on 19 June 2014, be less than 80 per cent. of the initial Conversion Price (as adjusted by taking into account any adjustments as described in Condition 6(C) which may have occurred prior to the relevant Reset Date) and (2) in the case of the Reset Date falling on 19 June 2015, be less than 68.1 per cent. of the initial Conversion Price (as adjusted by taking into account any adjustments as described in Condition 6(C) which may have occurred prior to the relevant Reset Date);
- (ii) the adjustment events set out in Condition 6(C) shall apply, *mutatis mutandis*, to the initial Conversion Price referred to in sub-paragraph (i) above to ensure that appropriate adjustments shall be made to any Conversion Price to reflect any events set out in Condition 6(C);
- (iii) any such adjustment to the Conversion Price shall only be a downward adjustment; and
- (iv) any such adjustments shall become effective as of the relevant Reset Date and shall be notified to the Bondholders as soon as practicable thereafter.

(E) Undertakings

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

- (i) it will use its best endeavours (a) to maintain a listing for all the issued Shares on the 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 Stock Exchange, *provided that* if the Issuer is unable to obtain or maintain such listing or if the maintenance of such listing is unduly onerous, it will use its best endeavours to obtain and maintain a listing for all the issued Shares on an Alternative Stock Exchange as the Issuer may from time to time determine with the approval of the Trustee or an Extraordinary Resolution of the Bondholders and will forthwith give notice to the Bondholders in accordance with Condition 16 and to the Trustee of the listing or delisting of the Shares (as a class) by any of such stock exchanges;
- (ii) it will use its best endeavours to maintain a listing for the Bonds on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") *provided that* if the Issuer is unable to obtain or maintain such listing or if the maintenance of such listing is unduly onerous, it will use its best endeavours to obtain and maintain a listing for the Bonds on an Alternative Stock Exchange as the Issuer may from time to time determine with the approval of the Trustee or an Extraordinary Resolution of the Bondholders and will forthwith give notice to the Bondholders in accordance with Condition 16 of the listing or delisting of the Bonds by any of such stock exchanges; and
- (iii) it will not make any redemption, purchase or 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 (a) is permitted by applicable law and (b) results in (or would, but for the provision of these Conditions relating to rounding or the carry forward of adjustments, result in) an adjustment to the Conversion

Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made.

In the Trust Deed, the Issuer 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 pay the expenses of the issue of, and all expenses of obtaining and maintaining a listing on the SGX-ST for the Bonds;
- (cc) it will pay the expenses of the issue of, and all expenses of obtaining a listing on the Stock Exchange for, Shares arising on conversion of the Bonds (save for any taxes specified in Condition 6(B)(ii)) and comply with all applicable requirements of the Listing Rules, with respect to the Shares;
- (dd) 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 Issuer or any Subsidiary or any of their respective assets and properties; and
- (ee) it will not make any offer, issue 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 Issuer; and
- (ff) it will not take any corporate or other action (including, without limitation, the issue any Shares or any other securities that are directly or indirectly convertible into, or exercisable or exchangeable for, any Shares) that would cause the Conversion Price of the Bonds to be adjusted in a manner that contravenes the applicable laws of the Cayman Islands or the applicable listing rules of the Relevant Stock Exchange or would result in the Issuer being unable to comply with the adjustment provisions of Condition 6(C) or 6(D). For the avoidance of doubt, a breach of this paragraph shall entitle the Bondholders to remedies expressly set out in these Conditions only.

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

(F) *Notice of Change in Conversion Price*

The Issuer shall give notice to the Bondholders in accordance with Condition 16 and to the Trustee and the Principal Agent 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, interest and premium*

Payment of principal, premium and interest due other than on an Interest Payment Date, or sums payable following the exercise of a Cash Settlement Option, will be made by transfer to the registered account of the Bondholder or by United States dollar cheque drawn on either a bank in New York City or a bank in Hong Kong which has arrangements with a correspondent bank in New York City mailed to the registered address of the Bondholder, at the risk of the Bondholder, if it does not have a registered account. Such payment will only be made after surrender of the relevant Certificate at the specified office of any of the Agents.

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the fifteenth day before the due date for the payment of interest (the "**Interest Record Date**"). Payments of interest on each Bond will be made by transfer to the registered account of the Bondholder or by United States dollar cheque drawn on either a bank in New York City or a bank in Hong Kong which has arrangements with a correspondent bank in New York City mailed to the registered address of the Bondholder, at the risk of the Bondholder, if it does not have a registered account.

So long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream, Luxembourg 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 December 25 and January 1.

References in these Conditions, the Trust Deed and the Agency Agreement to principal in respect of any Bond shall, where the context so permits, be deemed to include a reference to any premium payable thereon.

(B) Registered Accounts

For the purposes of this Condition, a Bondholder's registered account means the United States dollar account maintained by or on behalf of it with either a bank in New York City or a bank in Hong Kong or Singapore which has arrangements with a correspondent bank in New York City, details of which appear on the Register at the close of business on the second Payment 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 are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9. No commissions or expenses shall be charged to the 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 Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (at the risk and, if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder) on the due date for payment (or, if it is not a Payment Business Day, the immediately following Payment Business Day) or, in the case of a payment of principal or premium, if later, on the Payment 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 Payment Business Day, if the Bondholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

(F) Payment Business Day

In this Condition, "**Payment Business Day**" means a day other than a Saturday or Sunday on which commercial banks are open for business in New York City, 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 Issuer will redeem each Bond on 19 June 2018 (the "**Maturity Date**") at an amount equal to the sum of 135.40722 per cent. of its principal amount, accrued and unpaid interest thereon to the Maturity Date and the Non-Conversion Premium Payment. The Issuer 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 Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 16 (which notice shall be irrevocable) at an amount equal to the sum of the Early Redemption Amount, interest accrued and unpaid to the date fixed for redemption and the Non-Conversion Premium Payment, if (i) (A) the Issuer 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 of the PRC, Hong Kong or the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 11 June 2013, and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, and (ii) (A) (if a demand was made under the Subsidiary Guarantee or the JV Subsidiary Guarantee (if any)) the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, has or will become obliged to pay additional amounts as provided or referred to in Condition 9 as a result of any change in, or amendment to, the laws or regulations of Hong Kong, the Cayman Islands, the British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 11 June 2013, and (B) such obligation cannot be avoided by the relevant Subsidiary Guarantor or JV Subsidiary Guarantor (if any) taking reasonable measures available to it, *provided that* no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer 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 Issuer shall deliver or procure there to be delivered to the Trustee (a) a certificate signed by two directors of the Issuer or the relevant Subsidiary Guarantor or the relevant JV Subsidiary Guarantor (if any) (as the case may be) stating that the obligation referred to in (i) or (ii) above cannot be avoided by the Issuer or the relevant Subsidiary Guarantor or the relevant JV Subsidiary Guarantor 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 and rely upon and accept such certificate and opinion as sufficient evidence thereof in which event it shall be conclusive and binding on the Bondholders. Upon the expiry of the Tax Redemption Notice, the Issuer will be bound to redeem the Bonds on the date fixed for redemption, *provided that* redemption under this Condition 8(B)(i) may not occur within 15 days of the end of a Closed Period, but otherwise may occur when the Conversion Right is expressed in these Conditions to be exercisable.

- (ii) If the Issuer 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 of principal or premium to be made in respect of such Bond(s) whereupon no additional 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)(i), 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 Issuer 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 Issuer's consent.

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

On giving not less than 30 nor more than 90 days' notice to the Bondholders and the Trustee (which notice will be irrevocable), the Issuer may at any time prior to the Maturity Date redeem in whole, but not in part, the Bonds for the time being outstanding at an amount equal to the sum of the Early Redemption Amount, interest accrued to the date fixed for redemption and the Non-Conversion Premium Payment provided that prior to the date of such notice at least 90 per cent. in principal amount of the Bonds originally issued (including for these purposes any Option Bonds and Additional Bonds) has already been converted, redeemed or purchased and cancelled.

Redemption under this Condition 8(C) may not occur within 15 days of the end of a Closed Period but otherwise may occur when the Conversion Right is expressed in these Conditions to be exercisable.

(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 Issuer to redeem all or some only (subject to the principal amount of such holder's Bonds redeemed and the principal amount of the balance of such holder's Bonds not redeemed being an Authorised Denomination) of such holder's Bonds on the Relevant Event Redemption Date at an amount equal to the sum of the Early Redemption Amount, interest accrued and unpaid to the Relevant Event Redemption Date and the Non-Conversion Premium Payment. 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 60 days following a Relevant Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Relevant Event Redemption Date**" shall be the fourteenth day after the expiry of such period of 60 days as referred to above.

A Relevant Event Redemption Notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent and the Issuer shall redeem the Bonds the subject of the Relevant Event Redemption Notice as aforesaid on the Relevant Event Redemption Date. The Issuer shall give notice to Bondholders in accordance with Condition 16 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 Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights in accordance with Condition 8(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 a period equal to or exceeding 45 consecutive Trading Days on the Stock Exchange or, if applicable, the Alternative Stock Exchange (a "**Delisting**"); or
- (ii) when there is a Change of Control.

(E) *Redemption at the option of the Bondholders*

The Issuer will, at the option of the holder of any Bond, 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 19 June 2016 (the "**Put Option Date**") at an amount equal to sum of the Early Redemption Amount, interest accrued to the Put Option Date and the Non-Conversion Premium Payment. To exercise such option, a holder must deposit at the specified office of any Paying Agent a duly completed and signed put notice in the form for the time being current, obtainable from the specified office of any Paying Agent, together with the Certificate evidencing the Bonds to be redeemed not more than 60 days and not less than 30 days prior to the Put Option Date.

A put notice, once delivered, shall be irrevocable and may not be withdrawn without the Issuer's consent. No fewer than 30 nor more than 45 days' notice of the commencement of the period in which the put option can be exercised pursuant to this Condition 8(E) shall be given to the Bondholders by the Issuer in accordance with Condition 16.

(F) *Purchase*

The Issuer 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, converted or purchased by the Issuer 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 Issuer pursuant to this Condition 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 Early Redemption Amount and the accrued interest payable (if any), (v) the date for redemption, (vi) the manner in which redemption will be effected and (vii) the aggregate principal amount of the Bonds outstanding as at the latest practicable date prior to the publication of the notice.

If more than one notice of redemption is given (being a notice given by either the Issuer or a Bondholder pursuant to this Condition), 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 Certificate, the Bonds to be redeemed will be selected by such method in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate, in accordance with the rules of the relevant clearing system.

(I) *Definitions*

For the purposes of this Condition 8:

a "**Change of Control**" occurs upon:

- (i) the merger, amalgamation or consolidation of the Issuer with or into another Person or the merger or amalgamation of another Person with or into the Issuer, or the sale of all or substantially all of the assets of the Issuer to another Person;
- (ii) Mr Yan Zhi ceases to own (directly or indirectly) 51 per cent. or more of the voting rights of the issued share capital of the Issuer;
- (iii) any Person or Persons acting together acquires Control of the Issuer if such Person does not or do not have, and would not be deemed to have, Control of the Issuer on the Issue Date;

- (iv) the individuals who on the Issue Date constituted the board of directors of the Issuer, together with any new directors whose election by the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors or whose election was previously so approved, ceasing for any reason to constitute a majority of the board of directors of the Issuer then in office; or
- (v) the adoption of a plan relating to the liquidation or dissolution of the Issuer;

"Control" or "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means (i) the acquisition or control of more than 50 per cent. of the voting rights of the issued share capital of such Person or (ii) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise;

"Person" includes any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof; and

In these Conditions,

"Early Redemption Amount" means an amount in respect of each US\$200,000 principal amount of Bonds calculated in accordance with the following formula, rounded (if necessary) to two decimal places with 0.005 being rounded upwards (provided that if the date fixed for redemption is an Interest Payment Date (as set out below), such Early Redemption Amount shall be as set out in the table below in respect of such Interest Payment Date):

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

Previous Redemption Amount = the Early Redemption Amount for each US\$200,000 principal amount of Bonds on the Interest Payment Date immediately preceding the date fixed for redemption as set out below (or if the Bonds are to be redeemed prior to the first Interest Payment Date, US\$200,000):

<u>Interest Payment Date</u>	<u>Early Redemption Amount</u>
	(US\$)
19 December 2013	205,500.00
19 June 2014	211,302.50
19 December 2014	217,424.14
19 June 2015	223,882.47
19 December 2015	230,696.00
19 June 2016	237,884.28
19 December 2016	245,467.92
19 June 2017	253,468.65
19 December 2017	261,909.43

r = 11.0 per cent. expressed as a fraction

d = number of days from and including the immediately preceding Interest Payment Date (or if the Bonds are to be redeemed on or before the first Interest Payment Date, 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

p = 180

AI = means the accrued interest on the principal amount of the Bonds from and including the immediately preceding Interest Payment Date (or if the Bonds are to be redeemed on or the first Interest Payment Date, from and including the Issue Date) to, but excluding, the date fixed for redemption, calculated on the basis described in Condition 5(A)

9. Taxation

All payments made by the Issuer and any Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, under or in respect of the Bonds, the Subsidiary Guarantee, the JV Subsidiary Guarantee (if any) the Trust Deed or the Agency Agreement 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 or on behalf of the PRC, the Cayman Islands, the British Virgin Islands or Hong Kong or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is compelled by law. In such event, the Issuer or, as the case may be, the relevant Subsidiary Guarantor or JV Subsidiary Guarantor 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 holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC or the Cayman Islands otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or similar claim for exemption to the appropriate authority;
- (ii) *Presentation more than 30 days after the relevant date:* (in the case of a payment of principal or premium) 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 amount on surrendering the relevant Certificate for payment on the last day of such period of 30 days;
- (iii) *Payment to individuals:* where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Union Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) *Payment by another Paying and Conversion Agent:* held by a Bondholder who would have been able to avoid such withholding or deduction by presenting the relevant Bond to another Paying Agent in a Member State of the European Union.

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 cheques despatched or payment made.

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

References in these Conditions to principal, premium and interest shall be deemed also to refer to any additional 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

(A) *Events of Default*

If any of the following events (each an "**Event of Default**") occurs 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 notice to the Issuer and the Subsidiary Guarantors that the Bonds are, and they shall immediately become due and repayable at an amount equal to the sum of the Early Redemption Amount, accrued interest (if any) to the date of payment and the Non-Conversion Premium Payment (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 or premium (including any Early Redemption Amount and the Non-Conversion Premium Payment) in respect of the Bonds within 1 Payment Business Day of the due date for such payment or a default in the payment of any interest in respect of the Bonds within 4 Payment Business Days of the due date for such payment;
- (ii) *Failure to deliver Shares*: the Issuer fails to deliver the Shares as and when such Shares are required to be delivered following conversion of a Bond or fails to pay any Cash Settlement Amount in respect of such Shares in which the Issuer has exercised the Cash Settlement Option as and when such Cash Settlement Amount becomes due and payable;
- (iii) *Breach of Other Obligations*: the Issuer, any Subsidiary Guarantor, any JV Subsidiary Guarantor or any Chargor does not perform or comply with one or more of its other obligations in the Bonds, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Trust Deed, the Agency Agreement, the CB Security Documents or any other specified agreement entered into with any Bondholder (in its capacity as a Bondholder) in relation to any Bond arrangement fee 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 Issuer or such Subsidiary Guarantor (as the case may be) by the Trustee;
- (iv) *Insolvency*: the Issuer or any of its Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement (owing to its inability to pay such debts when due) for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries or an administrator or liquidator of the Issuer, or any of its Subsidiaries or the whole or a material part of the assets and revenue of the Issuer or any of its Subsidiaries is appointed (or application for any such appointment is made);
- (v) *Cross Default*: (i) any other present or future indebtedness (whether actual or contingent) of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 10(A)(v) have occurred equals or exceeds HK\$50,000,000 or its equivalent in any other currency or currencies;
- (vi) *Enforcement Proceedings*: a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Subsidiaries and is not discharged or stayed within 30 days;
- (vii) *Winding up*: an order is made or an effective resolution passed for the liquidation, winding-up or dissolution, judicial management or administration of the Issuer or any of its Subsidiaries (except, in the case of a Subsidiary, a members' voluntary solvent winding up), or the Issuer or any of its Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (a) on terms approved by an Extraordinary Resolution of the Bondholders, or (b) in the case of a Subsidiary, whereby the undertaking and assets of such Subsidiary are transferred to or otherwise vested in the Issuer or another of its Subsidiaries;

- (viii) *Security Enforced*: a secured party takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or a material part of the undertaking, assets or revenues of the Issuer or any of its Subsidiaries (as the case may be) and is not discharged within 30 days;
- (ix) *Nationalisation*: (a) any step is taken by any governmental or judicial authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or any of its Subsidiaries or (b) the Issuer or any of its Subsidiaries is prevented from exercising normal control over all or a material part of its property, assets and revenue;
- (x) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (a) to enable each of the Issuer, the Subsidiary Guarantors and the Chargors lawfully to exercise its rights and perform and comply with its obligations under the Bonds, the Trust Deed, the Agency Agreement and the CB Security Documents, (b) to ensure that those obligations are legally binding and enforceable and (c) to make the Bonds, the Trust Deed, the Agency Agreement and the CB Security Documents admissible in evidence in the courts of Hong Kong, the Cayman Islands or the British Virgin Islands is not taken, fulfilled or done;
- (xi) *Illegality*: it is or will become unlawful for the Issuer or any Subsidiary Guarantor or Chargor to perform or comply with any one or more of its respective obligations under any of the Bonds, the Trust Deed, the Agency Agreement or the CB Security Documents to which it is a party;
- (xii) *Guarantees*: any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Trust Deed or, at any time, any Subsidiary Guarantee of a Subsidiary Guarantor or any JV Subsidiary Guarantee of a JV Subsidiary Guarantor, as the case may be, is or becomes unlawful, or is not, or ceases to be legal, valid, binding or enforceable or otherwise for any reason ceases to be in full force or effective or is claimed to be unlawful, unenforceable, invalid or not in full force or effective;
- (xiii) *CB Security*: (a) at any time, any of the CB Security is or becomes unlawful or is not, or ceases to be legal, valid, binding or enforceable or otherwise for any reason ceases to be in full force or effective, (b) at any time, the Security Trustee ceases to have a security interest in the CB Security ranking *pari passu* with the holders of the other secured parties under the Intercreditor Agreement, or (c) the Issuer or any Chargor defaults in the performance of any of its obligations under any CB Security Document, which materially and adversely affects the enforceability, validity or priority of the CB Security or which adversely affects the condition or value of the CB Security, taken as a whole, in any material respect; or
- (xiv) *Analogous Events*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (iv), (vi), (vii) or (viii) above.

(B) *Default Cure Amount*

If the Bonds have become due and payable pursuant to Condition 10(A), notwithstanding Condition 6(A) but before receipt of any payment after the acceleration of the Bonds and provided that no Conversion Notice has been delivered, a Bondholder may exercise its Conversion Right in accordance with this Condition 10(B) by depositing a Conversion Notice (unless with respect to Condition 10(A)(ii) a Conversion Notice has already been deposited) with a Conversion Agent during the period from and including the date of an acceleration notice with respect to an event specified in Condition 10(A) (at which time the Issuer will notify the Bondholders of the number of Shares per Bond to be delivered upon conversion, assuming all the then outstanding Bonds are converted) to and including the 30th Business Day after such payment.

If the Conversion Right attached to any Bond is exercised pursuant to this Condition 10(B), or if an Event of Default has occurred pursuant to Condition 10(A)(ii), the Issuer shall at the option of the converting Bondholder (notice of exercise of such option to be delivered to the Conversion Agent in writing) in lieu of delivery of the relevant Shares pay to such Convertible Bondholder an amount (the "**Default Cure Amount**") equal to the product of (x) (i) the number of Shares that are required to be

delivered by the Issuer to satisfy the Conversion Right in relation to such converting Bondholder minus (ii) the number of Shares that are actually delivered by the Issuer pursuant to such Bondholder's Conversion Notice and (y) the Closing Price on the Conversion Date; provided that if such Bondholder has received any payment under the Bonds pursuant to this Condition 10(B), the amount of such payment shall be deducted from the Default Cure Amount. Payment of the Default Cure Amount shall be paid to the converting Bondholder on the third Business Day following the date on which notice of exercise of the option to receive the Default Cure Amount is delivered.

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 Issuer or any Subsidiary Guarantor or any Chargor as it may think fit to enforce repayment of the Bonds and to enforce the provisions of the Trust Deed and instruct the Security Trustee to enforce its rights under the CB Security Documents 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 and the Security Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder will be entitled to proceed directly against the Issuer or any Subsidiary Guarantor or any Chargor 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 and Waiver

(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 or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the amount of principal, interest or premium (including any Early Redemption Amount and Non-Conversion Premium Payment) or Equivalent Amount payable in respect of the Bonds or changing the method of calculation of interest or 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(C)) or cancel any of the Conversion Rights, (v) to cancel or modify the Subsidiary Guarantees or JV Subsidiary Guarantees (other than any release pursuant to Condition 1(b)(vi)) (vi) to modify or discharge the Collateral, CB Security Documents or the Intercreditor Agreement in a manner that adversely affects the Bondholders (other than to the extent necessary to give effect to the creation of (x) any Lien to secure Permitted Pari Passu Secured Indebtedness or (y) any Lien to secure any other Indebtedness, in each case, as permitted under these Conditions and the Trust Deed), (vii) to modify the provisions concerning the quorum required at any meeting of the Bondholders or the majority required to pass an Extraordinary Resolution or (viii) to amend any of the foregoing reserved matters (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 66⅔ 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 66⅔ 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 and the Security Trustee may agree, without the consent of the Bondholders, to (1) 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 Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Agency Agreement, the Trust Deed or the CB Security Documents which is, in the opinion of the Trustee or the Security Trustee, as the case may be, not materially prejudicial to the interests of the Bondholders, which shall include modifications or amendments to: (a) comply with the provisions described under Condition 4(L); (b) evidence and provide for the acceptance of appointment by a successor Trustee or Security Trustee; (c) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee as provided or permitted by the terms of the Trust Deed and these Conditions; (d) add any Chargor or release any Chargor as provided or permitted by the terms of the Trust Deed and these Conditions; (e) add additional Collateral to secure the Bonds or any Subsidiary Guarantee or JV Subsidiary Guarantee; (f) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and/or the Security Trustee, as the case may be, to enter into any amendments to the Security Documents or the Trust Deed and take any other action necessary to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with these Conditions and the Trust Deed, including, without limitation, the entry into of any Intercreditor Agreement or any supplement or amendment thereto); (g) provide for the issuance of Additional Bonds in accordance with Condition 15; (h) in any other case where a supplemental Trust Deed is required or permitted to be entered into pursuant to the provisions of the Trust Deed without the consent of any Bondholder; or (i) effect any changes to the Trust Deed or the Agency Agreement in a manner necessary to comply with the procedures of the relevant clearing system or (2) any modification to the Bonds, the Subsidiary Guarantees, the JV Subsidiary Guarantees (if any), the Agency Agreement, the Trust Deed or the CB Security Documents which, in the opinion of the Trustee or the Security Trustee, as the case may be, 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 or the Security Trustee, as the case may be, agrees otherwise, any such modifications will be notified by the Issuer to the Bondholders as soon as practicable thereafter. For the avoidance of doubt, the consent of the Bondholders or any other Secured Party will not be required in order for the Trustee or the Security Trustee to give effect to the provisions of Condition 4(B).

(C) *Interests of Bondholders*

In connection with the exercise of its functions (including but not limited to those in relation to any proposed modification, authorisation, waiver or substitution) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, any Subsidiary Guarantor, any JV Subsidiary Guarantor 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.

(D) *Certificates/Reports*

Any certificate or report of any expert or other person called for by or provided to the Trustee or the Security Trustee (whether or not obtained by or addressed to the Trustee or the Security Trustee) in accordance with or for the purposes of these Conditions or the Trust Deed may be relied upon by the Trustee or the Security 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. The Trustee or the Security Trustee shall not be responsible for any loss occasioned by acting or not acting on any such certificate or report.

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 Issuer and such Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. Further Issues

The Issuer may not, without the approval by an Extraordinary Resolution of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds (which shall for these purpose include any Option Bonds) in all respects (or in all respects except for the first payment of interest on them) and which shall be consolidated and form a single series with the Bonds. Such further bonds (if so approved by the Bondholders) may, with the consent of the Trustee, be constituted by a deed supplemental to 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 Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or the Alternative Clearing System, notices to Bondholders may be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg 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 Issuer 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 Issuer will at all times maintain (a) a Principal Agent, (b) as necessary, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to European Directive 2003/48/EC or any other European Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform, to such Directive, and (c) 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 Issuer to the Bondholders and in any event not less than 45 days' notice will be given.

18. Indemnification of the Trustee and the Security Trustee

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

19. Governing Law and Submission to Jurisdiction

The Bonds, the Trust Deed and the Agency Agreement are governed by the laws of Hong Kong. In relation to any legal action or proceedings arising out of or in connection with the Trust Deed, the Bonds, the Subsidiary Guarantee or the JV Subsidiary Guarantee (if any), the Issuer, each Subsidiary Guarantor and each JV Subsidiary Guarantor (if any) has in the Trust Deed irrevocably submitted to the exclusive jurisdiction of the courts of Hong Kong.

20. Definitions

Set forth below are certain defined terms used in these Conditions. Reference is made to the Trust Deed for other capitalised terms used in these Conditions for which no definition is provided.

“**Additional Bonds**” means the additional Bonds to be issued from time to time by the Issuer subject to certain limitations described in Condition 15.

“**Affiliate**” means, with respect to any Person, any other Person (a) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, (b) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (a) of this definition or (c) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, brother-in-law, sister-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (a) or (b). For 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 direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“**Asset Sale**” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Issuer or any of its Restricted Subsidiaries to any Person other than the Issuer or any Restricted Subsidiary; *provided, however, that* “**Asset Sale**” shall not include:

- (i) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;
- (ii) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under Condition 4(D);
- (iii) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of U.S.\$1 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (iv) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Issuer or its Restricted Subsidiaries;
- (v) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (vi) a transaction covered by Condition 4(L); or
- (vii) any sale, transfer or other disposition by the Issuer or any of its Restricted Subsidiaries, including the sale or issuance by the Issuer or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Issuer or any Restricted Subsidiary.

“**Attributable Indebtedness**” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended.

“**Average Life**” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (a) the sum of the products of (i) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (ii) the amount of such principal payment by (b) the sum of all such principal payments.

“**Bank Deposit Secured Indebtedness**” means Indebtedness of the Issuer or any Restricted Subsidiary that is secured by a pledge of one or more bank accounts of the Issuer or a Restricted Subsidiary and is used by the Issuer and its Restricted Subsidiaries to in effect exchange U.S. dollars or Hong Kong dollars into Renminbi or vice versa.

“**Board of Directors**” means the board of directors elected or appointed by the stockholders of the Issuer to manage the business of the Issuer or any committee of such board duly authorised to take the action purported to be taken by such committee.

“**Board Resolution**” means any resolution of the Board of Directors taking an action which it is authorised to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“**Business Day**” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in Hong Kong (or in any other place in which payments on the Bonds are to be made) are authorised by law or governmental regulation to close.

“**Capitalised Lease**” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalised on the balance sheet of such Person.

“**Capitalised Lease Obligations**” means the discounted present value of the rental obligations under a Capitalised Lease.

“**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.

“**Categories of Indebtedness**” means:

- (i) Indebtedness under the Bonds (including the Option Bonds but excluding any Additional Bonds and any Permitted Pari Passu Secured Indebtedness of the Issuer), each Subsidiary Guarantee and each JV Subsidiary Guarantee (if any);
- (ii) any Pari Passu Subsidiary Guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor (if any);
- (iii) Indebtedness of the Issuer or any Restricted Subsidiary outstanding on the Issue Date excluding Indebtedness defined below in paragraph (iv) of the definition of “Categories of Indebtedness”;
- (iv) Indebtedness of the Issuer or any Restricted Subsidiary owed to the Issuer or any Restricted Subsidiary; *provided that* (1) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Issuer or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness defined in this paragraph (iv) of the definition of “Categories of Indebtedness”; (2) if the Issuer, any Subsidiary Guarantor or any JV Subsidiary Guarantor is the obligor on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Bonds, in the case of the Issuer, or the Subsidiary Guarantee of such Subsidiary Guarantor, in the case of a Subsidiary Guarantor, or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, in the case of a JV Subsidiary Guarantor and (3) if the Indebtedness is owed to the Issuer, any Subsidiary Guarantor or any JV Subsidiary Guarantor, such Indebtedness must be evidenced by an unsubordinated promissory note or a similar instrument under applicable law;
- (v) Indebtedness (“**Permitted Refinancing Indebtedness**”) of the Issuer or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance, refund, replace, exchange, renew, repay, defease, discharge or extend (collectively “**refinance**” and “**refinancing**” and “**refinanced**” shall have a correlative meaning), then outstanding Indebtedness Incurred as described in paragraphs (i), (ii), (iii), (viii), (xv), (xvi) and (xvii) in the definition of “Categories of Indebtedness” and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided that* (1) Indebtedness the proceeds of which are used to refinance or refund the Bonds or Indebtedness that is pari passu with, or subordinated in right of payment to, the Bonds, a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any) as described in this paragraph (v) of the definition of “Categories of Indebtedness” if (x) in case the Bonds are refinanced in part or the Indebtedness to be refinanced is pari passu with, or subordinate in right of payment to, the Bonds, a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any), such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made pari passu

with, or subordinate in right of payment to, the remaining Bonds or such Subsidiary Guarantee or JV Subsidiary Guarantee (if any), or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Bonds, a Subsidiary Guarantee or a JV Subsidiary Guarantee (if any), such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Bonds or such Subsidiary Guarantee or JV Subsidiary Guarantee at least to the extent that the Indebtedness to be refinanced is subordinated to the Bonds or such Subsidiary Guarantee or JV Subsidiary Guarantee, (2) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded and (3) in no event may Indebtedness of the Issuer, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced as described in this paragraph (v) of the definition of “Categories of Indebtedness” by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or JV Subsidiary Guarantor;

- (vi) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to Hedging Obligations and designed solely to protect the Issuer or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities, and not for speculation;
- (vii) Pre-Registration Mortgage Guarantee by the Issuer or any Restricted Subsidiary;
- (viii) Indebtedness Incurred by the Issuer or any Restricted Subsidiary for the purpose of financing (1) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Issuer or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (2) all or any part of the purchase price or the cost of development, construction or improvement of real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Issuer or such Restricted Subsidiary in the Permitted Business; *provided that* in the case of clauses (1) and (2), (x) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (y) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such property or completion of such development, construction or improvement and (z) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness described in this paragraph (viii) of the definition of “Categories of Indebtedness” (together with refinancings thereof, but excluding any Contractor Guarantee Incurred as described in this paragraph (viii) of Condition 20 to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) and paragraphs (xv), (xvi) and (xvii) below does not exceed an amount equal to 20 per cent. of Total Assets;
- (ix) Indebtedness Incurred by the Issuer or any Restricted Subsidiary constituting reimbursement obligations with respect to workers’ compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (x) Indebtedness Incurred by the Issuer or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Issuer or such Restricted Subsidiary of a demand for reimbursement;
- (xi) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantee or letters of credit, surety bonds or performance bonds securing any obligation of the Issuer or any Restricted Subsidiary pursuant to such agreements, in any case Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantee of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided that* the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (xii) Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided*, however, *that* such Indebtedness is extinguished within five Business Days of Incurrence;

- (xiii) (1) Guarantees by the Issuer or any Subsidiary Guarantor of Indebtedness of the Issuer or any Restricted Subsidiary that was permitted to be Incurred by another provision of the definition of “Categories of Indebtedness”, (2) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that is defined in paragraphs (vi) or (viii) above or paragraph (xiv) below in the definition of “Categories of Indebtedness” or (3) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this definition of “Categories of Indebtedness”;
- (xiv) Indebtedness of the Issuer or any Restricted Subsidiary with a maturity of one year or less used by the Issuer or any Restricted Subsidiary for working capital; *provided that* the aggregate principal amount of Indebtedness described in this paragraph (xiv) at any time outstanding does not exceed U.S.\$10 million (or the Dollar Equivalent thereof);
- (xv) Bank Deposit Secured Indebtedness Incurred by the Issuer or any of its Restricted Subsidiaries; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this paragraph (xv) (together with refinancings thereof) and the aggregate principal amount outstanding of indebtedness that was permitted to be incurred under paragraph (viii) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under paragraph (viii) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) and paragraphs (xvi) and (xvii) below (together with refinancings thereof) does not exceed an amount equal to 20 per cent. of Total Assets;
- (xvi) Indebtedness Incurred by the Issuer or any Restricted Subsidiary arising from any Investment, extension of credit or other financing made by a Trust Company Investor in a PRC Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this paragraph (xvi) (together with refinancings thereof) and the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under paragraphs (viii) and (xv) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under paragraph (viii) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) and paragraphs (xvii) below (together with refinancings thereof) does not exceed an amount equal to 20 per cent. of Total Assets; and
- (xvii) Indebtedness Incurred by any Restricted Subsidiary incorporated under the laws of the PRC which is secured by Investment Properties, and Guarantees thereof by the Issuer or any such Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness permitted by this paragraph (xvii) (together with refinancings thereof) and the aggregate principal amount outstanding of indebtedness that was permitted to be incurred under paragraph (viii), (xv) and (xvi) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under paragraph (viii) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20 per cent. per cent. of Total Assets.

“**Collateral**” means all collateral securing, or purported to be securing, directly or indirectly, the Bonds, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) pursuant to the CB Security Documents, and shall initially consist of the Capital Stock of the initial Chargors.

“**Commodity Hedging Agreement**” means any spot, forward or option, commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“**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.

“**Consolidated Core Profit**” means the aggregate net profit of the Group for a financial year, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Core Profit:

- (a) any revaluation gain or loss related to investment properties;
- (b) any extraordinary gain or loss; and
- (c) any gain or loss related to the revaluation of the Bonds.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate net income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided that* the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (i) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Issuer’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (iii) below); and
 - (b) the Issuer’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Issuer or Restricted Subsidiaries;
- (ii) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Issuer or any of its Restricted Subsidiaries;
- (iii) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (iv) the cumulative effect of a change in accounting principles;
- (v) any net after-tax gains realised on the sale or other disposition of (i) any property or assets of the Issuer or any Restricted Subsidiary which is not sold in the ordinary course of its business or (ii) any Capital Stock of any Person (including any gains by the Issuer realised on sales of Capital Stock of the Issuer or other Restricted Subsidiaries);
- (vi) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (vii) any net after-tax extraordinary or non-recurring gains.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated balance sheet of the Issuer and its Restricted Subsidiaries prepared in accordance with GAAP (which the Issuer shall use its best efforts to compile in a timely manner), plus, to the extent not included, any Preferred Stock of the Issuer, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Issuer or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Consolidated Net Debt” means, at any time, the Consolidated Total Debt minus the Consolidated Total Cash.

“Consolidated Total Cash” means, at any time, the aggregate of the following items in the consolidated statement of financial position of the Issuer, each item to be determined in conformity with GAAP:

- (i) bank deposits;
- (ii) restricted cash; and
- (iii) cash and cash equivalents.

"Consolidated Total Debt" means, at any time, all Financial Indebtedness of the Group (without double counting) calculated in accordance with GAAP.

"Contractor Guarantees" means any Guarantee by the Issuer or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Issuer or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Issuer or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Currency Agreement" means any foreign exchange contract, currency swap agreement, currency option agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (a) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Bonds, (b) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Bonds or (c) convertible into or exchangeable for Capital Stock referred to in clause (a) or (b) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Bonds; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Bonds shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favourable to the holders of such Capital Stock than the provisions contained in Condition 4(K) and Condition 8(D) and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of the Bonds as are required to be repurchased pursuant to Condition 4(K) and Condition 8(D).

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Exchange Act" means the US Securities Exchange Act of 1934, as amended.

"Extraordinary Resolution" means a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority of not less than 66⅔ per cent. of the votes cast.

"Fair Market Value" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"GAAP" means International Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Trust Deed shall be computed in conformity with GAAP applied on a consistent basis.

"Group" means the Issuer and its Subsidiaries.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of

such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (b) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"**Financial Indebtedness**" means (without double counting), in relation to any Person at any time, any indebtedness for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (iii) 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;
- (iv) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise required by GAAP to be shown as a borrowing in the consolidated balance sheet of the Group;
- (v) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution, in each case in respect of indebtedness of a type referred to in paragraphs (i) to (v) above; and
- (vi) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (vi) above,

but excluding (a) indebtedness owing by a member of the Group to another member of the Group and (b) Pre-Registration Mortgage Guarantees.

"**Hedging Obligation**" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

"**Incur**" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided that* (a) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (b) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence", "Incurred" and "Incurring" have meanings correlative with the foregoing.

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

- (i) all indebtedness of such Person for borrowed money;
- (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (iii) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including any premium, to the extent such premium has become due and payable);
- (iv) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (v) all Capitalised Lease Obligations and Attributable Indebtedness;
- (vi) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided that* the amount of such Indebtedness shall be the

lesser of (i) the Fair Market Value of such asset at such date of determination and (ii) the amount of such Indebtedness;

- (vii) all Indebtedness of other Persons Guaranteed by such Person, to the extent such Indebtedness is Guaranteed by such Person;
- (viii) to the extent not otherwise included in this definition, Hedging Obligations; and
- (ix) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligation or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided that* such Indebtedness is not reflected on the balance sheet of the Issuer or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet).

“Independent Financial Advisor” means a financial advisor, investment bank, appraisal firm or accounting firm of international standing, *provided that* such advisor or firm is not an Affiliate of the Issuer.

“Independent Third Party” means any Person that is not an Affiliate of the Issuer.

“Intercreditor Agreement” has the meaning given to it in Condition 4(A).

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates, convert a fixed rate of interest into a floating rate of interest, convert a floating rate of interest into a different floating rate of interest or lower interest currently paid on Indebtedness of any Person.

“Investment” means:

- (i) any direct or indirect advance, loan or other extension of credit to another Person;
- (ii) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (iii) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (iv) any Guarantee of any obligation of another Person.

“Invest”, “Investing” and **“Invested”** shall have corresponding meanings.

For the purposes of the provisions of Condition 4(D): (a) the Issuer will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the assets (net of liabilities owed to any Person other than the Issuer or a Restricted Subsidiary and that are not Guaranteed by the Issuer or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (b) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

The acquisition by the Issuer or a Restricted Subsidiary of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Issuer or such Restricted Subsidiary in such third Person.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Issuer; and (ii) a percentage equal to the direct or indirect equity ownership percentage of the Issuer and its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“JV Subsidiary Guarantee” has the meaning set forth under Condition 1(C)(i).

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listing Rules” means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

“Moody’s” means Moody’s Investors Service and its affiliates.

“Net Cash Proceeds” means:

- (i) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Issuer and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (d) appropriate amounts to be provided by the Issuer or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (ii) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guaranteed Portion” means, at any time of determination, (1) the aggregate value (without duplication) of the equity interests held by Independent Third Parties in all JV Subsidiary Guarantors then existing, as determined with respect to each such JV Subsidiary Guarantor by multiplying (x) the total consolidated assets of such JV Subsidiary Guarantor measured in accordance with GAAP as of the last day of the most recently completed full fiscal quarter of the Issuer for which consolidated financial statements of the Issuer (which the Issuer shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements) by (y) the proportionate ultimate beneficial ownership, expressed as a percentage, of all Capital Stock held by Independent Third Parties in such JV Subsidiary Guarantor, plus (2) the proportionate interest of the Issuer and its Restricted Subsidiaries in the total consolidated assets of all Offshore Non-Guarantor Subsidiaries as shown in the balance sheet of such Offshore Non-Guarantor Subsidiaries for the most recently ended full fiscal quarter for which financial statements (which the Issuer shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements of the Offshore Non-Guarantor Subsidiaries), *provided* that, when calculating a Non-Guaranteed Portion, pro forma effect shall be given to the sale or issuance of Capital Stock to Independent Third Parties relating to (i) the Incurrence of any JV Subsidiary Guarantee(s) giving rise to the calculation of Non-Guaranteed Portion and (ii) any other Restricted

Subsidiary that became a JV Subsidiary Guarantor after the end of such fiscal quarter; provided further that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets that would be eliminated from the calculation of Total Assets for such fiscal quarter shall be excluded from the calculation of total consolidated assets in clause (x) above; provided further that, when calculating a Non-Guaranteed Portion, pro forma effect shall be given to any designation of an Offshore Subsidiary as an Offshore Non-Guarantor Subsidiary giving rise to the calculation of Non-Guaranteed Portion.

“**Offer to Purchase**” means an offer to purchase Bonds by the Issuer from the Bondholders commenced by the Issuer mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying and Transfer Agent and each Bondholder at its last address appearing in the Bond register stating:

- (i) the Condition pursuant to which the offer is being made and that all Bonds validly tendered will be accepted for payment on a pro rata basis;
- (ii) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “**Offer to Purchase Payment Date**”);
- (iii) that any Bond not tendered will continue to accrue interest pursuant to its terms;
- (iv) that, unless the Issuer defaults in the payment of the purchase price, any Bond accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (v) that holders electing to have a Bond purchased pursuant to the Offer to Purchase will be required to surrender the Bond, together with the form entitled “Option of the Bondholder to Elect Purchase” on the reverse side of the Bond completed, to the Paying Agent at the address specified in the notice prior to the close of business on the fifth Business Day immediately preceding the Offer to Purchase Payment Date;
- (vi) that holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Bonds delivered for purchase and a statement that such Bondholder is withdrawing his election to have such Bonds purchased; and
- (vii) that holders whose Bonds are being purchased only in part will be issued new Bonds equal in principal amount to the unpurchased portion of the Bonds surrendered; *provided that* each Bond purchased and each new Bond issued shall be in a principal amount of U.S.\$200,000 or integral multiples of U.S.\$1,000.

On the Offer to Purchase Payment Date, the Issuer shall (a) accept for payment on a pro rata basis Bonds or portions thereof tendered pursuant to an Offer to Purchase; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Bonds or portions thereof so accepted; and (c) deliver, or cause to be delivered, to the Trustee all Bonds or portions thereof so accepted together with an Officers’ Certificate specifying the Bonds or portions thereof accepted for payment by the Issuer. The Paying Agent shall promptly mail to the holders so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall promptly authenticate and mail to such holders a new Bond equal in principal amount to any unpurchased portion of the Bond surrendered; *provided that* each Bond purchased and each new Bond issued shall be in a principal amount of U.S.\$200,000 each or integral multiples of U.S.\$1,000. The Issuer will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer is required to repurchase Bonds pursuant to an Offer to Purchase.

The Offer to Purchase is required to contain or incorporate by reference information concerning the business of the Issuer and its Subsidiaries which the Issuer in good faith believes will assist such holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such holders to tender Bonds pursuant to the Offer to Purchase.

“**Offering Circular**” means the offering circular dated on or about 14 June 2013, issued by the Issuer in connection with the issue and offering of the Bonds.

“Officer” means one of the executive officers of the Issuer or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officers’ Certificate” means a certificate signed by two Officers, *provided that*, with respect to any Subsidiary Guarantor or JV Subsidiary Guarantor having only one Officer, an “Officers’ Certificate” means a certificate signed by such Officer.

“Offshore Non-Guarantor Subsidiary” means any Offshore Subsidiary of the Issuer that is designated by the Board of Directors as an Offshore Non-Guarantor Subsidiary in accordance with the provisions of the Trust Deed and these Conditions.

“Offshore Subsidiary” means any Subsidiary of the Issuer that is incorporated in any jurisdiction other than the PRC.

“Opinion of Counsel” means a written opinion from legal counsel who is acceptable to the Trustee.

“Pari Passu Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, of Indebtedness of the Issuer (including the Option Bonds and the Additional Bonds); *provided that* such guarantee ranks pari passu with any outstanding Subsidiary Guarantee or JV Subsidiary Guarantee of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Permitted Business” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Issuer and its Restricted Subsidiaries (as described in the Offering Circular) on the Issue Date.

“Permitted Investment” means:

- (i) any Investment in the Issuer or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Issuer or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (ii) any Investment in cash or Temporary Cash Investments;
- (iii) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (iv) stock, obligations or securities received in satisfaction of judgments;
- (v) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (vi) any Investment pursuant to a Hedging Obligation designed solely to protect the Issuer or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (vii) receivables owing to the Issuer or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (viii) Investments made by the Issuer or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with Condition 4(K);
- (ix) pledges or deposits (i) with respect to leases or utilities provided to third parties in the ordinary course of business or (ii) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under Condition 4(I);
- (x) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Issuer or any Restricted Subsidiary otherwise permitted to be Incurred under the Trust Deed;

- (xi) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganisation or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (xii) advances to contractors or suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Issuer's consolidated balance sheet;
- (xiii) advances to government authorities or government-affiliated entities in the People's Republic of China in connection with the financing of primary land development in the ordinary course of business that are recorded as assets on the Issuer's balance sheet;
- (xiv) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (xv) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (xvi) deposits made in order to secure the performance of the Issuer or any of its Restricted Subsidiaries and prepayments made in connection with the acquisition of real property or land use rights by the Issuer or any of its Restricted Subsidiaries, in each case in the ordinary course of business; and
- (xvii) any Investment by the Issuer or any Restricted Subsidiary in any corporation, association or other business entity primarily engaged in a Permitted Business, of which at least 20 per cent. of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Issuer or any Restricted Subsidiary (such corporation, association or other business entity, an "**Associate**"); provided that: (a) none of the other holders of Capital Stock of such Associate is a Person described in clauses (x) or (y) of the first paragraph of Condition 4(H) (other than by reason of such holder being an officer or director of the Issuer or a Restricted Subsidiary); (b) the aggregate of all Investments Incurred under this paragraph (xvii) shall not exceed 10 per cent. of Total Assets; (c) no Default has occurred and is continuing or would occur as a result of such Investment; and (e) with respect to an Associate in which the Issuer or any Restricted Subsidiary has made an Investment pursuant to this paragraph (xvii), if the Issuer or such Restricted Subsidiary no longer owns at least 20 per cent of the Capital Stock, such Investment less the amount of any Receipt will be deemed not to have been made in accordance with this paragraph (xvii) and such Investment must at the time such Associate is no longer treated as an Associate satisfy the other requirements of Condition 4(D) (including meeting the requirements of one of the other clauses set forth under this "Permitted Investment" definition).

"Permitted Liens" means:

- (i) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (ii) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (iii) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (iv) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Issuer and its Restricted Subsidiaries, taken as a whole;
- (v) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Issuer or its Restricted Subsidiaries relating to such property or assets;

- (vi) any interest or title of a lessor in the property subject to any operating lease;
- (vii) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided that* such Liens do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (viii) Liens in favour of the Issuer or any Restricted Subsidiary;
- (ix) Liens arising from the attachment or rendering of a final judgment or order against the Issuer or any Restricted Subsidiary that does not give rise to an Event of Default;
- (x) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (xi) Liens in favour of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (xii) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations defined in paragraph (vi) in “Categories of Indebtedness” in Condition 20;
- (xiii) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business in accordance with the past practices of the Issuer and its Restricted Subsidiaries prior to the Issue Date;
- (xiv) Liens existing on the Issue Date;
- (xv) Liens under the CB Security Documents;
- (xvi) Liens securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under Condition 4(A);
- (xvii) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is defined in paragraph (v) in “Categories of Indebtedness” in Condition 20; *provided that* such Liens do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (xviii) Liens securing Indebtedness of the Issuer or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is defined in paragraph (vii) in “Categories of Indebtedness” in Condition 20;
- (xix) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favour of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Issuer or any Restricted Subsidiary;
- (xx) Liens (including extensions and renewals thereof) upon real or personal property acquired after the Issue Date; *provided that* (a) such Lien is created solely for the purpose of securing Indebtedness of the type described in (viii) in “Categories of Indebtedness” in Condition 20 and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100 per cent. of the cost of such property, development construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item, *provided that*, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100 per cent. of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent

available consolidated financial statements of the Issuer (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (xx) does not exceed 130 per cent. of the aggregate principal amount of Indebtedness secured by such Liens;

- (xxi) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Issuer or any Restricted Subsidiary;
- (xxii) Liens on deposits made in order to secure the performance of the Issuer or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Issuer or any of its Restricted Subsidiaries in the ordinary course of business and not securing Indebtedness of the Issuer or any Restricted Subsidiary;
- (xxiii) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute in the ordinary course of business and not securing Indebtedness of the Issuer or any Restricted Subsidiary;
- (xxiv) Liens on current assets securing Indebtedness described in paragraph (xiv) of "Categories of Indebtedness" in Condition 20;
- (xxv) Liens Incurred to secure Bank Deposit Secured Indebtedness of the type described under paragraph (xv) of "Categories of Indebtedness" in Condition 20;
- (xxvi) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Issuer or any PRC Restricted Subsidiary in favour of any Trust Company Investor in respect of, and to secure, the Indebtedness described under paragraph (xvi) of "Categories of Indebtedness" in Condition 20; and
- (xxvii) Liens on Investment Properties securing Indebtedness of the Issuer or Restricted Subsidiary incorporated under the laws of the PRC of the type described under paragraph (xvii) of "Categories of Indebtedness" in Condition 20.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Issuer or any Restricted Subsidiary consisting of a guarantee in favour of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Issuer or any Restricted Subsidiary; *provided that*, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favour of the relevant lender.

"Relevant Period" means each period of 12 months ending on the last day of the Issuer's financial year and each period of 12 months ending on the last day of the first half of the Issuer's financial year.

"Replacement Assets" means, on any date, property or assets (other than current assets) of a nature or type or that are used in a Permitted Business and for the purposes of Condition 4(K)(ii) shall include Capital Stock of any Person holding such property or assets, which is primarily engaged in a Permitted Business and will upon the acquisition by the Issuer or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Issuer or any Restricted Subsidiary transfers such property to another Person and the Issuer or any Restricted Subsidiary leases it from such Person.

“Senior Indebtedness” of the Issuer or any Restricted Subsidiary, as the case may be, means all Indebtedness of the Issuer or such Restricted Subsidiary, as relevant, whether outstanding on the Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Bonds or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or, in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided that* Senior Indebtedness does not include (1) any obligation to the Issuer or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Trust Deed.

“Staged Acquisition Agreement” means an agreement between the Issuer or a Restricted Subsidiary and an independent third party (x) pursuant to which the Issuer or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Issuer or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

“Stated Maturity” means, (a) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (b) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

“Stock Exchange” means The Stock Exchange of Hong Kong Limited.

“Subordinated Indebtedness” means any Indebtedness of the Issuer, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Bonds, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means "subsidiary" person is to any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to appoint directors, managers or trustees of such company or other business entity or any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or the GAAP, should have its accounts consolidated with those of that person.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Issuer under the Trust Deed and the Bonds by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which is required to Guarantee the payment of the Bonds pursuant to the Trust Deed and the Bonds; *provided that* Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Bonds or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (i) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;
- (ii) time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organised under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of U.S.\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognised statistical

- rating organisation (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with a bank or trust company meeting the qualifications described in clause (b) above;
 - (iv) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Issuer) organised and in existence under the laws of the United States of America, any state thereof, or any foreign country recognised by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
 - (v) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
 - (vi) any money market fund that has at least 95 per cent. of its assets continuously invested in investments of the types described in clauses (a) through (e) above; and
 - (vii) time deposit accounts, certificates of deposit and money market deposits with (i) China Construction Bank Corporation, China Merchants Bank Co., Ltd., China Minsheng Banking Corp., Ltd., Bank of Communications Co., Ltd., Industrial and Commercial Bank of China Limited, Hankou Bank Co. Ltd., Agricultural Bank of China Limited, Shanghai Pudong Development Bank Co., Ltd, China CITIC Bank Corporation Limited, Hubei Bank Corporation Limited, Industrial Bank Co., Ltd., China Guangfa Bank Co., Ltd., Shengjing Bank Co., Ltd., Chong Hing Bank Limited, BNP Paribas Hong Kong Branch, The Bank of East Asia, Limited, Bank of China Limited, Hua Xia Bank Co., Limited, China Everbright Bank Co., Ltd. and Bank of Changsha Co., Ltd, (ii) any other bank or trust company organised under the laws of the PRC whose long-term debt is rated as high or higher than any of those banks listed in clause (i) of this paragraph or (iii) any other bank organised under the laws of PRC, *provided that*, in the case of clause (iii) of this paragraph, such deposits do not exceed U.S.\$10 million (or the Dollar Equivalent thereof) with any single bank or U.S.\$20 million (or the Dollar Equivalent thereof) in the aggregate on any date of determination.

“**Total Assets**” means, as of any date, the total consolidated assets of the Issuer and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Issuer (which the Issuer shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided* that only with respect to paragraph (viii) in “Categories of Indebtedness” in Condition 20, Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, and *provided* further that, only with respect to the measurement of the percentage of Total Assets represented by the Non-Guaranteed Portion in connection with the Incurrence of JV Subsidiary Guarantee(s), pro forma effect shall be given to the sale or issuance of Capital Stock to Independent Third Parties relating to (i) the Incurrence of the JV Subsidiary Guarantee(s) giving rise to the calculation of Non-Guaranteed Portion and (ii) any other Restricted Subsidiary that became a JV Subsidiary Guarantor after the end of such fiscal quarter.

“**Total Equity Attributable to Shareholders**” means, at any time, the total equity attributable to the equity shareholders of the Issuer (as shown in the consolidated statement of financial position of the Issuer) but excluding any amount shown in respect of goodwill (including goodwill arising only on consolidation) or other intangible assets and any fair value gains or losses on the Bonds.

“**Total Turnover**” means, as of any date, the total consolidated turnover of the Issuer and its Restricted Subsidiaries measured in accordance with GAAP for the 12 month period ending on the last day of the most recent semi-annual period for which consolidated financial statements of the Issuer (which the Issuer shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements).

“**Trade Payables**” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its

Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Trust Company Investor” means an independent third party that is a financial institution or an insurance company organised under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Issuer that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided herein; and (2) any Subsidiary of an Unrestricted Subsidiary.

“Voting Stock” means, with respect to any Person, Capital Stock of 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.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

DESCRIPTION OF THE SHARES

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 22, 2010 under the Cayman Companies Law. The Memorandum of Association and the Articles comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on June 20, 2011. The following is a summary of certain provisions of the Articles:

(a) Directors

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Cayman Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

- (ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries.

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested

in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company;
 - (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
 - (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

- (vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Cayman Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Cayman Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Cayman Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman 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) 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 relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons 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 two holders present in person 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 by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

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, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized 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 installments is treated for the foregoing purposes as paid up on the share. 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.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

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

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

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorized by the board or our Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarized financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarized financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting 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 of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, 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 of our Company 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 ninety-five per cent (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:

- (aa) the declaration and sanctioning of dividends;

- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) 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) or in such other form as the board may approve and which 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 may 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 Cayman Companies Law.

The board may, in its absolute discretion, and without assigning any reason, 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 any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept 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 may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

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

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Cayman Companies Law, our Company in general meeting 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 provide dividends may be declared and paid out of the profits of our Company, realized or unrealized, 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 authorized 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 our Company on account of calls or otherwise.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, 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. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it 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 register of our Company 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 to our Company. 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 our Company 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 our Company until claimed and our 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 our Company.

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

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our 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 our Company shall be wound up and the assets available for distribution amongst the members of our Company 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 our 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 our 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 Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company 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.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company

does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Bond Certificate contains provisions which apply to the Bonds in respect of which the Global Bond Certificate is issued, some of which modify the effect of the 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 Bond Certificate which will be registered in the name of HSBC (Nominees) Hong Kong Limited as nominee for, and deposited with, a common depository for Euroclear and Clearstream, Luxembourg.

Under the Global Bond Certificate, the Issuer, for value received, promises to pay such principal sum to the holder on June 19, 2018 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 Bond Certificate will become exchangeable in whole, but not in part, for individual bond certificates ("**Individual Bond 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 Bond Certificate is to be exchanged for Individual Bond Certificates, such Individual Bond Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Bond Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Bond Certificate, Euroclear and/or Clearstream, Luxembourg, to the Registrar of such information as is required to complete and deliver such Individual Bond Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Bond Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Bond 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 Bond Certificate will contain provisions which modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by the Global Bond Certificate. The following is a summary of certain of those provisions:

Meetings

The registered holder of the Global Bond 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 US\$200,000 in principal amount of Bonds for which the Global Bond 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 Bond 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 Bond 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\$0.01 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 Bond 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 Bond Certificate.

Record Date

Notwithstanding Condition 7(A) (*Payments — Principal and premium*), so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative 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 day on which each clearing system for which the Global Bond Certificate is being held is open for business.

Notices

Notwithstanding Condition 17 (*Notices*), so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any Alternative Clearing System, notices to holders of Bonds represented by the Global Bond 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 Bond 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 Bond 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.

Partial Redemption

In the case of a partial redemption of the Bonds, such Bonds to be redeemed will be selected by such method in such place as the Trustee may approve and in such manner as the Trustee shall deem to be appropriate, in accordance with the rules of the relevant Clearing System.

Exercise of Put Option

In order to exercise the option contained in Condition 8(D) (*Redemption for Delisting or Change of Control*) and 8(E) (*Redemption at the option of the Bondholders*) (each, a "**Put Option**"), the holder of the Global Bond Certificate must, within the period specified in the Conditions for the deposit of the relevant Bond Certificate and put notice, give written notice of such exercise to the Principal Agent specifying the principal amount of Bonds in respect of which the Put Option is being exercised. Subject to the Terms and Conditions of the Bonds, any such notice shall be irrevocable and may not be withdrawn.

Exercise of Call Option

In order to exercise the option contained in Condition 8(B) (*Redemption for Taxation Reasons*) or Condition 8(C) (*Redemption at the Option of the Issuer*) (each, a "**Call Option**"), the Issuer must give within the period specified in the Conditions notice of such exercise to the Bondholders, the Trustee and the Agents, specifying the principal amount of the Bonds in respect of which the Call Option is being exercised. Subject to the Terms and Conditions of the Bonds, any notice shall be irrevocable and may not be withdrawn.

Exercise of Bondholders' Tax Option

The option of holders not to have the Bonds redeemed as provided in Condition 8(C) (*Redemption for Taxation Reasons*), the holder must present to or to the order of any Paying Agent of a duly completed

Bondholder's notice electing not to be redeemed (in the form for the time being current) within the time limits set out in and containing the information required by Condition 8(C)(ii).

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 Bond 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 Bond Certificate standing to the account of any person shall be conclusive and binding for all purposes) shall be recognized as the holder of such principal amount of Bonds.

MARKET PRICE INFORMATION

The Shares have been listed on the Hong Kong Stock Exchange since July 13, 2011. The table below sets forth the closing prices and the quarterly trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Total Trading Volume of Shares ('000)
	High	Low (HK\$)	End of Period	
2011				
Third quarter (from July 13).....	3.337	2.880	3.279	90,894
Fourth quarter	3.385	3.095	3.163	60,351
2012				
First quarter	3.549	2.727	2.998	56,695
Second quarter	3.350	2.921	3.125	72,550
Third quarter	3.242	2.920	3.105	52,209
Fourth quarter	3.105	2.969	3.037	54,181
2013				
First quarter	3.066	2.861	2.930	63,378
Second quarter (through June 14).....	2.959	2.412	2.780	93,157

Source: Bloomberg

TAXATION

The following summary of certain Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds and Shares is based upon applicable laws, regulations, rulings and decisions as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds or the Shares and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds and Shares, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Cayman Islands

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Bonds. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest, additional amounts, if any, principal (including Early Redemption Amounts) and premium on the Bonds and dividends and capital in respect of the Shares will not be subject to taxation and no withholding will be required on the payment of principal and premium to any holder of the Bonds or the Shares, as the case may be, nor will gains derived from the disposal of the Bonds or the Shares be subject to Cayman Islands income or corporation tax. The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

No stamp duty is payable in respect of the issue of the Bonds or the Shares. An instrument of transfer in respect of a Bond or certificates representing the Bonds is stampable if executed in or brought into the Cayman Islands.

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

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from October 12, 2010.

British Virgin Islands

There is no income or other tax in the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by the Subsidiary Guarantors pursuant to the Subsidiary Guarantees.

Hong Kong

No withholding tax in Hong Kong is payable on payments of principal (including Early Redemption Amounts and any premium payable on redemption of the Bonds), interest or additional amounts, if any, in respect of the Bonds.

No withholding tax in Hong Kong is payable on payments of dividends on the Shares.

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of 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), or 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 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
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Bonds or the Shares where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

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

No Hong Kong stamp duty will be chargeable upon the issue of the Shares. Hong Kong stamp duty is payable, however, 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 per cent. of the consideration for, or (if greater) the value of, the Shares bought and sold. In other words, a total of 0.2 per cent. 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.

PRC Taxation

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, rules and regulations in effect as of the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Capital Gains. The EIT Law and the regulation on the implementation of the EIT Law impose a tax at the rate of 10% on capital gains realized by an enterprise holder of Bonds that is a “non-resident enterprise” which does not have an establishment or place of business in China or, where despite the existence of establishment or place of business in China, the relevant gain is not effectively connected with such establishment or place of business in China, to the extent such capital gains are sourced within China. The Individual Tax Law imposes a tax at the rate of 20% on capital gains realized by a foreign individual who is neither domiciled nor resident in China; to the extent such capital gains are sourced within China. Pursuant to these provisions of the EIT Law and the Individual Tax Law, although the matter is unclear, if we are considered a PRC resident enterprise, capital gains realized by non-resident enterprise holders and non-resident individual holders of the Bonds may be treated as income derived from sources within China and be subject to PRC withholding tax. To the extent that China has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified enterprise investors in the Bonds.

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside Mainland China) of a Bond.

EU directive on the taxation of savings income

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE

The Issuer has entered into a placing agreement with the Joint Placement Agents dated June 11, 2013 (the "**Placement Agreement**") pursuant to which, and subject to certain conditions contained therein, the Joint Placement Agents agreed to procure the subscription by the subscriber named in the Placement Agreement (the "**Subscriber**") for US\$100,000,000 in aggregate principal amount of the Bonds. In addition, the Issuer may issue and the Subscriber may subscribe for up to an additional US\$50,000,000 in aggregate principal amount of the Bonds on or before the date falling at the end of 12 month period following the Issue Date subject to mutual agreement between them.

The Placement Agreement provides that the Issuer will indemnify the Joint Placement Agents against certain liabilities in connection with the offer and sale of the Bonds. The Placement Agreement provides that the obligations of the Joint Placement Agents are subject to certain conditions precedent, and entitles the Joint Placement Agents to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Placement Agents and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer and/or its respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer and/or its respective affiliates in the ordinary course of their business.

The Joint Placement Agents or certain of their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. The Joint Placement Agents or their respective affiliates may purchase the Bonds for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its respective 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 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 authorized.

The Bonds are new issues of securities with no established trading market. Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. However, no assurance can be given as to the liquidity of any trading market for the Bonds.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds or the Shares, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, neither the Bonds nor any Shares may be offered or sold, directly or indirectly, and neither the Offering Circular nor any other offering material or advertisements in connection with the Bonds or the Shares may be distributed or published, by the Issuer or the Joint Placement Agents in or from any country or jurisdiction, except in compliance with all applicable rules and regulations of any such country or jurisdiction.

United States

The Bonds, the Subsidiary Guarantees and the Shares to be issued upon conversion of the Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Singapore

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 the Bonds may not be circulated or distributed, nor may 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 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.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (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:

- (1) 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;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

The Bonds will not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a “prospectus” as defined in the Companies 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. No advertisement, invitation or document relating to the Bonds may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the 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 thereunder.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code number 094431255 and the International Securities Identification Number for the Bonds is XS0944312551.
2. **Listing of Shares:** Application will be made 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:** Approval in-principle has been received for the listing and quotation of the Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Admission of the Bonds to the Official List of, and the quotation of the Bonds on, the SGX-ST is not to be taken as indication of the merits of the Bonds or us. The Bonds will be traded on the SGX-ST in a minimum trading board lot size of US\$200,000 for so long as the Bonds are listed on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bond Certificate is exchanged for Individual Bond Certificates in registered form. In addition, in the event that the Global Bond Certificate is exchanged for Individual Bond Certificates in registered form, an announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the Individual Bond Certificates in registered form, including details of the paying agent in Singapore.
4. **Authorizations:** The Issuer and the Subsidiary Guarantors have obtained all necessary consents, approvals and authorizations in connection with the issue and performance of the Bonds and the giving of the Subsidiary Guarantees. The issue of the Bonds was authorized by resolutions of the Board of Directors of the Issuer passed on June 7, 2013. The giving of the Subsidiary Guarantees was authorized by resolutions of the respective Board of Directors of the Subsidiary Guarantors passed on June 7, 2013.
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 December 31, 2012.
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. **Available Documents:** The latest annual report and consolidated accounts of the Issuer and the latest unaudited interim consolidated accounts of the Issuer, as well as the Trust Deed and the Agency Agreement, will be available for inspection, at the principal office of the Issuer at Suite 1606, 16/F, Two Exchange Square, Central, Hong Kong during normal office hours on any weekday, except public holidays, so long as any of the Bonds is outstanding.
8. **Reliance by the Trustee:** Each of the Trustee and the Security Trustee is entitled under the Trust Deed to rely without liability to the Bondholders on certificates prepared by the directors of the Issuer and accompanied by a certificate or report prepared by an internationally recognized firm of accountants to the Issuer whether or not addressed to the Trustee or the Security Trustee, as the case may be, and whether or not the same are subject to any limitation on the liability of the internationally recognized firm of accountants to the Issuer and whether by reference to a monetary cap or otherwise limited or excluded and shall be obliged to do so where the certificate or report is delivered pursuant to the obligation of the Issuer to procure such delivery under the Terms and Conditions of the Bonds or the Trust Deed. Any such certificate or report shall be conclusive and binding on the Issuer, the Trustee, the Security Trustee and the Bondholders.
9. **Audited Financial Statements:** The Issuer's consolidated financial statements as of and for the years ended December 31, 2011 and 2012, have been audited by KPMG, Certified Public Accountants.

PRINCIPAL AND REGISTERED OFFICES OF THE COMPANY

Principal place of business in the PRC

Zall Development Group Ltd.

Zall Plaza, No.1 Enterprise Community
1 Chutian Avenue
Panlongcheng Economic and
Technology Development Zone
Wuhan, Hubei Province
China 430000

Place of business in Hong Kong

Zall Development Group Ltd.

Suite 1606, 16/F,
Two Exchange Square,
Central,
Hong Kong

Registered office

Zall Development Group Ltd.

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

TRUSTEE, PRINCIPAL PAYING AGENT, TRANSFER AGENT AND REGISTRAR

The Hongkong and Shanghai Banking Corporation Limited

Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong

LEGAL ADVISORS TO THE COMPANY

as to Hong Kong law

Sidley Austin

Level 39
Two International Finance Center
8 Finance Street, Central
Hong Kong

as to Cayman Islands law

**Conyers Dill & Pearman
(Cayman) Limited**

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY 1-1111
Cayman Islands

as to British Virgin Islands law

Conyers Dill & Pearman

2901 One Exchange Square,
8 Connaught Place
Central
Hong Kong

as to PRC law

King & Wood Mallesons

28th Floor, Landmark
4028 Jintian Road
Futian District
Shenzhen, China

LEGAL ADVISORS TO THE JOINT PLACEMENT AGENTS

as to Hong Kong law

Clifford Chance

28th Floor, Jardine House
One Connaught Place
Central
Hong Kong

as to PRC law

Commerce & Finance Law Offices

6F NCI Tower
A12 Jianguomenwai Avenue
Beijing 100022, PRC

LEGAL ADVISORS TO THE TRUSTEE

as to Hong Kong law

Clifford Chance

28th Floor, Jardine House
One Connaught Place
Central
Hong Kong

AUDITOR

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong