

## ACKNOWLEDGEMENTS BY POTENTIAL PURCHASERS

Each potential purchaser of the Bonds (as defined in the information memorandum following this page (this “**Information Memorandum**”)) receiving this Information Memorandum represents, warrants, agrees, undertakes, confirms and/or acknowledges (as the case may be) to the Issuer (as defined in this Information Memorandum), the Guarantor (as defined in this Information Memorandum) and the Placing Agents (as defined in the important notice following this page) that:

1. The potential purchaser is aware that the Placing Agents may possess material non-public information, unknown to the potential purchaser, regarding the Issuer, the Issuer Group (as defined in this Information Memorandum), the Guarantor and the Guarantor Group (as defined in this Information Memorandum), and that the potential purchaser acknowledges and agrees that the Placing Agents shall have no liability with respect to the non-disclosure of any material non-public information regarding the Issuer, the Issuer Group, the Guarantor and the Guarantor Group.
2. The potential purchaser is aware that this Information Memorandum does not exhaust or contain all material information with respect to the placement, the Bonds, the Issuer, the Issuer Group, the Guarantor and the Guarantor Group, particularly it does not contain the financial statements of the Issuer, the Issuer Group, the Guarantor and the Guarantor Group. The potential purchaser must conduct its own due diligence and investigations on the placement, the Bonds, the Issuer, the Issuer Group, the Guarantor and the Guarantor Group and that the potential purchaser acknowledges and agrees that the Issuer shall have no liability with respect to the non-disclosure of any material non-public information regarding the placement, the Bonds, the Issuer, the Issuer Group, the Guarantor and the Guarantor Group in this Information Memorandum.
3. The potential purchaser is acquiring the Bonds directly from the Issuer in a private placement. The potential purchaser understands that other than this Information Memorandum, no disclosure or offering document has been prepared in connection with the purchase of the Bonds, and that the Placing Agents and the Issuer have not provided, and will not provide, the potential purchaser with any other material regarding the placement, the Bonds, the Issuer, the Issuer Group, the Guarantor or the Guarantor Group.
4. The potential purchaser understands that investing in the Bonds involves a high degree of risk and that the Bonds are a speculative investment. In particular, the potential purchaser acknowledges the principal risks inherent in investing in the Bonds as set out in the “*Risk Factors*” section of this Information Memorandum.
5. The potential purchaser (a) has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisers in connection herewith to the extent the potential purchaser has deemed necessary, (b) has had a reasonable opportunity to ask questions of and receive answers from officers and representatives of the Issuer and the Guarantor concerning their financial condition and results of operations and the purchase of the Bonds, and any such questions have been answered to its satisfaction, (c) has requested from the Issuer and the Guarantor and reviewed all information that the potential purchaser believes is necessary or appropriate in connection with the purchase of the Bonds, and (d) has made its own investment decisions based upon its own judgment, due diligence and advice from such advisers as the potential purchaser has deemed necessary and not upon any view expressed by or on behalf of the Placing Agents or the Issuer.
6. The potential purchaser understands and agrees that it may not rely on any investigation that the Placing Agents or any of their respective associates or any person acting on behalf of the Placing Agents or their respective associates have conducted with respect to the placement, the Bonds, the Issuer, the Issuer Group, the Guarantor and the Guarantor Group, and none of the Placing Agents, their respective associates, nor any of the employees, officers, directors or representatives of the Placing Agents or their respective associates has made any representation to the potential purchaser, express or implied, with respect to the placement, the Bonds, the Issuer, the Issuer Group, the Guarantor or the Guarantor Group.
7. The potential purchaser acknowledges that this Information Memorandum provided to the potential purchaser with regard to the placement, the Bonds, the Issuer, the Issuer Group, the Guarantor and the Guarantor Group has been prepared and/or supplied by the Issuer and/or the Guarantor (whether or not it was conveyed by the Placing Agents to the potential purchaser on the Issuer’s or the Guarantor’s behalf), and that none of (a) the Placing Agents and their respective associates (b) the Trustee or the Agents (each as defined in the Terms and Conditions) or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them has verified such information herein or makes any representation or warranty as to its accuracy or completeness.
8. The potential purchaser has such knowledge and experience in financial, business and international investment matters, and in particular in investing in debt securities issued by Chinese companies, and the potential purchaser is capable of evaluating the merits and risks of purchasing the Bonds (particularly offered in a direct private placement). The potential purchaser has had the opportunity to ask questions of, and receive answers and request additional information from the Issuer and the Guarantor and the potential purchaser is aware that it may be required to bear, and is able to bear, the economic risk of an investment in the Bonds (to the extent of sustaining a complete loss in connection with the placement).
9. The potential purchaser acknowledges that it does not have an intention to resell the Bonds purchased by it. The potential purchaser further acknowledges that it is not purchasing the Bonds with a view to any distribution thereof and have no arrangement with any other person to that effect.
10. The Placing Agents, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers and each person who controls any of them have not made, and the potential purchaser has not relied upon, any representation, warranty or condition (express or implied) about, and the Placing Agents, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers and each person who controls any of them shall have no liability or responsibility to the potential purchaser for, the effectiveness, validity or enforceability of any agreement or other document entered into by or provided to the potential purchaser in connection with the placement or any non-performance by any party to any of them, or the financial condition of the Issuer, the Issuer Group, the Guarantor and the Guarantor Group, and the Placing Agents, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers and each person who controls any of them owe and shall owe, no duty whatsoever to the potential purchaser in connection with the placement.
11. The Placing Agents are not acting as underwriters in connection with the placement and shall have no obligation to purchase or acquire all or any part of the Bonds purchased by the potential purchaser in the placement or to support any losses directly or indirectly sustained or incurred by the potential purchaser for any reason whatsoever in connection with the placement, including the non-performance by the Issuer or the Guarantor of any of their respective obligations, whether to the potential purchaser or otherwise.
12. The potential purchaser understands that the Bonds have not been, and will not be, registered under the United States Securities Act of 1933 (the “**Securities Act**”) or with any state or other jurisdiction of the United States, and that the Bonds may not be reoffered, resold, pledged or otherwise transferred except in an “**offshore transaction**” (as defined in Regulation S under the Securities Act (“**Regulation S**”) pursuant to Rule 903 or Rule 904 of Regulation S or pursuant to any other exemption from the registration requirements of the Securities Act. The potential purchaser agrees to notify any transferee to whom it subsequently reoffers, resells, pledges or otherwise transfers the Bonds of the foregoing restrictions on transfer.
13. The potential purchaser understands that the foregoing representations, warranties, agreements, undertakings, confirmations and acknowledgements are required in connection with United States and other securities laws and that the Placing Agents, the Trustee, the Agents and their respective affiliates, directors, officers, employees, agents, representatives and advisers and each person who controls any of them will rely upon the truth and accuracy of the foregoing representations, warranties, agreements, undertakings, confirmations and acknowledgements.
14. The potential purchaser is not a nominee company (unless the name of the ultimate beneficiary has been disclosed).



# 西昌海河文旅投资发展有限公司

Xichang Haihe Cultural Tourism Investment and Development Co., Ltd

## XICHANG HAIHE CULTURAL TOURISM INVESTMENT DEVELOPMENT CO., LTD.

### 西昌海河文旅投資發展有限公司

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

U.S.\$100,000,000 7.00 per cent. guaranteed bonds due 2027

unconditionally and irrevocably guaranteed by

SICHUAN DEVELOPMENT FINANCING GUARANTEE CO., LTD.

(四川發展融資擔保股份有限公司)

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

ISSUE PRICE OF THE BONDS: 100.00 PER CENT.

The U.S.\$100,000,000 7.00 per cent. guaranteed bonds due 2027 (the "Bonds") will be issued by Xichang Haihe Cultural Tourism Investment Development Co., Ltd. 西昌海河文旅投資發展有限公司 (the "Issuer" or the "Company"), a company incorporated in the People's Republic of China with limited liability, and will be unconditionally and irrevocably guaranteed (the "Guarantee") by Sichuan Development Financing Guarantee Co., Ltd. (四川發展融資擔保股份有限公司) (the "Guarantor"), a company incorporated in the PRC with limited liability.

The Bonds bear interest on their outstanding principal amount from and including 13 December 2024 (the "Issue Date") at the rate of 7.00 per cent. per annum, payable semi-annually in arrears in equal instalments of U.S.\$35.00 per U.S.\$1,000 in principal amount of the Bonds on 13 June and 13 December in each year, commencing on 13 June 2025.

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 3(a) of the terms and conditions of the Bonds (the "Terms and Conditions")) unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves and at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application. All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 of the Terms and Conditions and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 of the Terms and Conditions) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

The Guarantor will enter into a deed of guarantee (the "Deed of Guarantee") on or around 13 December 2024. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a) of the Terms and Conditions, constitute direct, unsubordinated, unconditional and unsecured obligations of the Guarantor which shall at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

The Issuer undertakes that it will (i) within the prescribed timeframe after the Issue Date, submit or cause to be submitted an application for registration of the Bonds with SAFE pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 and amended on 4 May 2015, and if applicable, the Circular of the People's Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the People's Bank of China which came into effect on 12 January 2017 (the "Foreign Debt Registration"), (ii) complete the Foreign Debt Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds.

Pursuant to the Administrative Measures for the Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第五十六號)) issued by the National Development and Reform Commission of the PRC or its local counterparts (the "NDRC") effective on 10 February 2023 (the "Order 56"), the Issuer has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 15 December 2023 evidencing such registration and undertakes to (i) file or cause to be filed with the NDRC the requisite information and documents within the prescribed timeframe after the Issue Date in accordance with the Order 56, and any implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time (the "NDRC Administrative Measures") and (ii) file or cause to be filed with the NDRC other requisite information and documents in connection with the Bonds from time to time within the relevant prescribed timeframes in accordance with the NDRC Administrative Measures. The Issuer also undertakes to comply with all applicable PRC laws, rules and regulations in connection with the Bonds (including without limitation the NDRC Administrative Measures).

The PRC government (including the Xichang People's Government and the Sichuan Provincial Government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds or the Guarantee in lieu of the Issuer or the Guarantor (as the case may be). See "Risk Factors – Risks relating to the Issuer Group's Business – The PRC government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds which are solely to be fulfilled by the Issuer."

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 December 2027 (the "Maturity Date"). At any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (as defined below) in accordance with Condition 15 of the Terms and Conditions (which notice shall be irrevocable) and in writing to the Trustee (as defined in the Terms and Conditions) and Principal Paying Agent (as defined in the Terms and Conditions), the Issuer may at its option redeem the Bonds in whole, but not in part, at their principal amount, together with any unpaid interest accrued up to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer (or, if the Guarantee is called, the Guarantor) satisfies the Trustee that the Issuer (or, if the Guarantee is called, the Guarantor) has or will become obliged to pay Additional Amounts (as defined in the Terms and Conditions) as provided or referred to in Condition 7 of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of 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 December 2024, and such obligation cannot be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures available to it, subject to Condition 5(b) of the Terms and Conditions. At any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions), each holder of Bonds (each, a "Bondholder") will have the right, at such Bondholder's option, to require the Issuer to redeem all, but not some only, of that Bondholder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together with any unpaid interest accrued up to (but excluding) such Put Settlement Date, subject to Condition 5(c) of the Terms and Conditions. See "Terms and Conditions – Redemption and Purchase".

The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

The Bonds will not be rated.

Investing in the Bonds involves risks. Investors should take note of the risks associated with bonds and various other risks relating to the Bonds, the Issuer, the Issuer Group, the Guarantor and the Guarantor Group which investors should familiarise themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 1\* for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (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. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Information Memorandum, see "Placement and Sale".

Application will be made for the listing of the Bonds on the Chongwa (Macao) Financial Asset Exchange Co., Ltd. (the "MOX"). This document is for distribution to professional investors (as defined in Section 11 of the Guideline on Provision and Distribution of Financial Products (Circular no. 033/B/2010-DSB/AMCM)) ("MOX Professional Investors") only. Investors should not purchase the Bonds in the primary or secondary markets unless they are MOX Professional Investors and understand the risks involved. The Bonds are only suitable for MOX Professional Investors.

The MOX has not reviewed the contents of this Information Memorandum, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to MOX Professional Investors only have been reproduced in this document. Listing of the Bonds on the MOX is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Issuer Group, the Guarantor, the Guarantor Group or the quality of disclosure in this document. The MOX takes no responsibility for the contents of this Information Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

The Bonds will be represented initially by interests in a global certificate (the "Global Certificate") in registered form which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

#### Joint Global Coordinators, Placing Agents and Joint Bookrunners

Donghai International	Soochow Securities (Hong Kong)	Hong Kong Main Fund Securities Limited	
Shenwan Hongyuan (H.K.)	SDICSI Securities	Founder Securities (Hong Kong)	Guotai Junan International
<i>Placing Agents and Joint Bookrunners</i>			
Blackwell Global Securities	Cathay Securities (HK)	CF Securities Limited	CMB International
			CNI Securities Group Limited
Dingxin (Securities) Limited		Far East Horizon International	Gransing Securities Co., Limited
Haitong International	Head & Shoulders Securities	Innovax Securities Limited	Orient Securities Limited
Raising International	Sino Partner International Securities Limited	TF International	Tung Yat Securities Limited

Information Memorandum dated 11 December 2024

## NOTICE TO INVESTORS

THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS INFORMATION MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER, THE GUARANTOR OR ANY OF THEIR SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS INFORMATION MEMORANDUM IS CORRECT AS OF ANY DATE SUBSEQUENT TO THE DATE HEREOF.

The MOX takes no responsibility for the contents of this Information Memorandum, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Information Memorandum.

This Information Memorandum includes particulars given in compliance with Guideline on Provision and Distribution of Financial Products (Circular 033/B/2010-DSB/AMCM) for the purpose of giving information with regard to the Issuer and the Guarantor. Listing of the Bonds on the MOX is not to be taken as an indication of the merits of the Bonds, the Issuer, the Issuer Group, the Guarantor, the Guarantor Group or the quality of disclosure in this document. In making an investment decision, investors must rely on their own examination of the Issuer, the Issuer Group, the Guarantor, the Guarantor Group and the terms of the offering of the Bonds, 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 of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Information Memorandum and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer (other than with respect to the Guarantor and the Guarantor’s Group) and the Guarantor (other than with respect to the Issuer and the Issuer’s Group) jointly and severally confirms that (i) this Information Memorandum as at the date hereof contains all information with respect to the Issuer, the Guarantor, the Issuer’s Group, the Guarantor’s Group, the Bonds and the Guarantee which is material in the context of the issue, offering and placement of the Bonds and the giving of the Guarantee (including the information which is required by applicable laws and according to the particular nature of the Issuer, the Guarantor, the Issuer’s Group, the Guarantor’s Group, the Bonds and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor, the Issuer’s Group and the Guarantor’s Group and the rights attaching to the Bonds and the Guarantee); (ii) the statements with respect to the Issuer, the Guarantor, the Issuer’s Group, the Guarantor’s Group, the Bonds and the Guarantee contained in this Information Memorandum as at the date hereof are in every material particular true and accurate and not misleading; (iii) the opinions and intentions expressed in this Information Memorandum as at the date hereof with regard to the Issuer, the Guarantor, the Issuer’s Group and the Guarantor’s Group, honestly and reasonably held, have been reached after considering all relevant circumstances known to the Issuer and the Guarantor and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor, the Issuer’s Group, the Guarantor’s Group, the Bonds or the Guarantee, the omission of which would, in the context of the issue, offering and placement of the Bonds and the giving of the Guarantee make any

statement, opinions or intentions expressed in this Information Memorandum as at the date hereof misleading in any material respects; (v) all reasonable enquiries have been made by the Issuer and the Guarantor, as applicable, to ascertain such facts and to verify the accuracy of all such information and statements in this Information Memorandum as at the date hereof; (vi) this Information Memorandum as at the date hereof does not include an untrue statement of a material fact; or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (vii) the statistical, industry and market-related data and forward-looking statements included in this Information Memorandum, are based on or derived or extracted from sources which each of the Issuer and the Guarantor believes to be accurate and reliable in all material respects and forward-looking statements in this Information Memorandum are based on the Issuer's, the Guarantor's, the Issuer's Group's and the Guarantor's Group's reasonable expectations and projections about future events.

Any information available from public sources that is referenced in this Information Memorandum but is not separately included in this Information Memorandum shall not be deemed to be incorporated by reference to this Information Memorandum. However, none of the Issuer, the Guarantor, the Placing Agents, the Trustee, the Agents (as defined in the Terms and Conditions) or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them, has independently verified such information. Save for the representation given by the Issuer in the paragraph above, no representation or warranty, expressed or implied, is to be made or given by the Issuer, the Guarantor, the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Issuer has prepared this Information Memorandum solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee described in this Information Memorandum. This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of Donghai International Securities (Hong Kong) Limited, Soochow Securities International Brokerage Limited, Hong Kong Main Fund Securities Limited, Shenwan Hongyuan Securities (H.K.) Limited, SDICS International Securities (Hong Kong) Limited, Founder Securities (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, Blackwell Global Securities Limited, Cathay Securities (Hong Kong) Limited, CF Securities Limited, CMB International Capital Limited, CNI Securities Group Limited, Dingxin (Securities) Limited, Far East Horizon International Securities Limited, Gransing Securities Co., Limited, Haitong International Securities Company Limited, Head & Shoulders Securities Limited, Innovax Securities Limited, Orient Securities Limited, Raising International Securities Limited, Sino Partner International Securities Limited, TFI Securities and Futures Limited and Tung Yat Securities Limited (together, the "**Placing Agents**", each, a "**Placing Agent**"), the Issuer or the Guarantor to subscribe for or purchase any of the Bonds. The distribution of this Information Memorandum and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Guarantor and the Placing 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 distribution of this Information Memorandum in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, the PRC, Singapore and Japan and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Information Memorandum, see "*Placement and Sale*". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Information Memorandum. This Information Memorandum is personal to each offeree and does not constitute an

offer to any other person or to the public generally to subscribe for, or otherwise acquire, the Bonds. Distribution of this Information Memorandum to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Information Memorandum, agrees to the foregoing and to make no photocopies of this Information Memorandum or any documents referred to in this Information Memorandum.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Issuer Group, the Guarantor, the Guarantor Group, the Bonds or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Placing Agents, the Trustee, the Agents or their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them. Neither the delivery of this Information Memorandum nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Issuer Group, the Guarantor, or the Guarantor Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Placing Agents, the Trustee, the Agents or the Guarantor or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them has independently verified the information contained in this Information Memorandum. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them, as to the accuracy, completeness or sufficiency of the information contained in this Information Memorandum or any other information supplied in connection with the Bonds and the Guarantee. Nothing contained in this Information Memorandum is, or shall be relied upon as, a promise, representation or warranty by the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them. This Information Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them that any recipient of this Information Memorandum should purchase the Bonds. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Issuer Group, the Guarantor, the Guarantor Group, the Guarantee and the merits and risks involved in investing in the Bonds and the Guarantee. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them accepts any responsibility for the contents of this Information Memorandum and none of them assumes any responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them or on their behalf in connection with the Issuer or the Issuer Group, the Guarantor, the Guarantor Group or the issue and offering of the Bonds or the giving of the Guarantee. Each of the Placing Agents, the Trustee, the Agents and each of their respective directors, officers, agents, employees, affiliates, representatives and advisers and each person who controls any of them accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Information Memorandum or any such statement. None of the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them undertakes to review the results of operations, financial condition or affairs of the Issuer, the Issuer Group, the Guarantor or the Guarantor Group during the life of the arrangements contemplated by this Information Memorandum nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Placing Agents, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them.

Any of the Placing Agents and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Information Memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds). Furthermore, investors in the Bonds may include entities affiliated with the Issuer Group.

Prospective investors should not construe anything in this Information Memorandum as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Information Memorandum and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

***Singapore SFA Product Classification*** – *In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

## **Notice to Capital Market Intermediaries and Prospective Investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors**

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Placing Agents, are “capital market intermediaries” (the “**CMI**s”) subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the “**SFC Code**”). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (the “**OC**s”) for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (“**Association**”) with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor, or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Placing Agent, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Placing Agent or its group company has more than 50 per cent. interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such “proprietary order” may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. If a prospective investor is otherwise affiliated with any Placing Agent, such that its order may be considered to be a “proprietary order” (pursuant to the SFC Code), such prospective investor should indicate to the relevant Placing Agent when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Placing Agents and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

**Warning**

The contents of this Information Memorandum have not been reviewed by any regulatory authority in PRC, Hong Kong, Singapore or elsewhere. Investors are advised to exercise caution in relation to the offer. If investors are in any doubt about any of the contents of the Information Memorandum, they should obtain independent professional advice.

**Industry and Market Data**

Market data, certain industry forecasts and statistics (if any) and maps used throughout this Information Memorandum have been obtained based on internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed by the Issuer and the Guarantor to be reliable and accurate but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts, market research (if any) and maps, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Placing Agents or their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified.



## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

All non-company specific statistics and data relating to the Issuer's and the Guarantor's industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. The Issuer and the Guarantor believe that the sources of this information are appropriate for such information and the Issuer and the Guarantor have taken reasonable care in extracting and reproducing such information. The Issuer and the Guarantor have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, such information has not been independently verified by the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents or by their respective affiliates, directors, employees, agents, representatives, officers or advisers and none of the Issuer, the Guarantor, the Placing Agents, the Trustee or the Agents or their respective affiliates, directors, employees, agents, representatives, officers or advisers makes any representation as to the correctness, accuracy or completeness of such information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

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

In this Information Memorandum, unless otherwise specified or the context otherwise requires, all references to the “**PRC**”, “**China**” and “**mainland China**” are to the People's Republic of China (for the purpose of this Information Memorandum only, excluding Hong Kong, the Macao Special Administrative Region of the People's Republic of China and Taiwan), all references to the “**United States**” and “**U.S.**” are to the United States of America, all references to “**Hong Kong**” are to the Hong Kong Special Administrative Region of the People's Republic of China, all references to “**Renminbi**” and “**RMB**” are to the lawful currency of the PRC; and all references to “**U.S.\$**” and “**U.S. dollars**” are to the lawful currency of the United States of America.

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

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 names prevail.

In addition, in this Information Memorandum, unless the context otherwise requires, the following terms shall have the meanings set out below:

- “**Board**” or “**Board of Directors**” are to the board of Directors of the Issuer;
- “**Director(s)**” are to Director(s) of the Issuer;
- “**GDP**” are to gross domestic product;

- the “**Issuer Group**” are to the Issuer and its subsidiaries taken as a whole;
- the “**Guarantor**” are to Sichuan Development Financing Guarantee Co., Ltd. (四川發展融資擔保股份有限公司);
- the “**Guarantor Group**” are to the Guarantor and its subsidiaries taken as a whole;
- the “**Issuer**” or the “**Company**” are to Xichang Haihe Cultural Tourism Investment Development Co., Ltd. (西昌海河文旅投資發展有限公司);
- “**MOF**” are to the Ministry of Finance of the PRC (中華人民共和國財政部) or its competent local counterpart;
- “**NDRC**” are to the National Development and Reform Commission of the PRC or its competent local counterpart;
- “**NPC**” are to National People’s Congress of the PRC (中華人民共和國人民代表大會) and its Standing Committee;
- “**PBOC**” are to the People’s Bank of China, the central bank of the PRC;
- “**PRC GAAP**” are to The PRC Accounting Standards and Accounting Regulations for Business Enterprises promulgated by the PRC Ministry of Finance on 15 February 2006;
- “**PRC Government**” are to the central government of the PRC and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- “**SAFE**” are to the State Administration of Foreign Exchange of the PRC or its competent local counterparts;
- “**SASAC**” are to the State-owned Assets Supervision and Administration Commission (國有資產監督管理委員會) or, where context requires, its local counterparts;
- “**Sichuan SASAC**” are to the State-owned Assets Supervision and Administration Commission of the Sichuan Provincial Government (四川省政府國有資產監督管理委員會);
- “**State Council**” are to the state council of the PRC;
- “**VAT**” are to value-added tax;
- “**Xichang Finance Bureau**” are to the Xichang Finance Bureau (西昌市財政局); and
- “**Xichang People’s Government**” are to the Municipal People’s Government of Xichang (西昌市人民政府).

## FORWARD-LOOKING STATEMENTS

The Issuer and the Guarantor have made certain forward-looking statements in this Information Memorandum. All statements other than statements of historical facts contained in this Information Memorandum constitute “forward-looking statements”. Some of these statements can be identified by forward-looking terms, such as “anticipate”, “target”, “believe”, “can”, “would”, “could”, “estimate”, “expect”, “aim”, “intend”, “may”, “plan”, “will” or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue, profitability, planned projects and other matters as they relate to the Issuer, the Issuer Group, the Guarantor and/or the Guarantor Group discussed in this Information Memorandum regarding matters that are not historical facts. These forward-looking statements and any other projections contained in this Information Memorandum (whether made by the Issuer, the Guarantor or by any third party) involve known and unknown risks, including those disclosed under “*Risk Factors*”, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer, the Issuer Group, the Guarantor or the Guarantor Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

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

The factors that could cause the actual results, performances and achievements of the Issuer, the Issuer Group, the Guarantor or the Guarantor Group to be materially different include, among others:

- the Issuer Group’s or the Guarantor Group’s ability to successfully implement business plans and strategies;
- future developments, trends and conditions in the PRC land development and real estate;
- the Issuer Group’s or the Guarantor Group’s business prospects;
- the Issuer Group’s or the Guarantor Group’s capital expenditure plans;
- the continued availability of capital and financing;
- the actions and developments of competitors of the Issuer Group or the Guarantor Group;
- the Issuer Group’s or the Guarantor Group’s financial condition and performance;
- the Issuer Group’s or the Guarantor Group’s dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Issuer Group’s or the Guarantor Group’s business;

- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Issuer Group or the Guarantor Group operate;
- various business opportunities that the Issuer Group or the Guarantor Group may pursue;
- macroeconomic measures taken by the PRC Government to manage economic growth;
- changes in the global economic conditions; and
- other factors, including those discussed in “*Risk Factors*”.

The Issuer, the Issuer Group, the Guarantor and the Guarantor Group do not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Information Memorandum as a result of any new information, future events or otherwise.

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## THE ISSUE

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Information Memorandum. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” shall have the same meanings in this summary. For a complete description of the terms and conditions of the Bonds, see “Terms and Conditions of the Bonds” in this Information Memorandum.

<b>Issuer</b>	Xichang Haihe Cultural Tourism Investment Development Co., Ltd. (西昌海河文旅投資發展有限公司).
<b>Guarantor</b>	Sichuan Development Financing Guarantee Co., Ltd. (四川發展融資擔保股份有限公司).
<b>Bonds</b>	U.S.\$100,000,000 7.00 per cent. guaranteed bonds due 2027.
<b>Issue Price</b>	100.00 per cent.
<b>Form and Denomination</b>	The Bonds will be issued in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Interest</b>	The Bonds will bear interest on their outstanding principal amount from and including 13 December 2024 at the rate of 7.00 per cent. per annum, payable semi-annually in arrear in equal instalments of U.S.\$35.00 per U.S.\$1,000 in principal amount of the Bond on 13 June and 13 December in each year, commencing on 13 June 2025.
<b>Issue Date</b>	13 December 2024.
<b>Maturity Date</b>	13 December 2027.
<b>Status of the Bonds</b>	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 3(a) of the Terms and Conditions) unsecured obligations of the Issuer which will at all times rank <i>pari passu</i> among themselves and at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
<b>Guarantee of the Bonds</b>	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a) of the Terms and Conditions, constitute direct, unsubordinated, unconditional and unsecured obligations of the Guarantor which shall at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.

**Final Redemption**

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Maturity Date. The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 5 of the Terms and Conditions.

**Taxation**

All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is required to be made by the Issuer or the Guarantor, as the case may be, by or within the PRC at the rate of up to and including the aggregate rate applicable on 11 December 2024 (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that the Issuer or the Guarantor, as the case may be, is required to make a deduction or withholding by or within the PRC, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond or under the Guarantee, as the case may be, to a Bondholder (or to a third party on behalf of a Bondholder) in the circumstances set out in Condition 7 of the Terms and Conditions.

If the Issuer or the Guarantor (as the case may be) becomes subject at any time to any taxing jurisdiction other than the PRC, references in the Terms and Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.

**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) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with unpaid interest accrued up to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer (or, if the Guarantee is called, the Guarantor) satisfies the Trustee that:

- (i) the Issuer (or, if the Guarantee is called, the Guarantor) has or will become obliged to pay Additional Amounts as provided or referred to in Condition 7 of the Terms and Conditions as a result of any change in, or amendment to, the laws or regulations of 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 December 2024; and
- (ii) such obligation cannot be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor (as the case may be) would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due, as further described in the Condition 5(b) of the Terms and Conditions.

**Redemption for Relevant  
Events**

Following the occurrence of a Relevant Event, each Bondholder will have the right, at such Bondholders' option, to require the Issuer to redeem all, but not some only, of that Bondholders' Bonds on the Put Settlement Date (as defined in the Terms and Conditions) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event (as defined in the Terms and Conditions)) of their principal amount, together with any unpaid interest accrued up to (but excluding) the Put Settlement Date), as further described in Condition 5(c) of the Terms and Conditions.



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

- (i) the Xichang Finance Bureau (西昌市財政局) and any other Person directly or indirectly Controlled by the central government of the PRC and its provincial, municipal and local counterparts (together, the “**PRC Government Persons**”), together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer;
- (ii) Sichuan Provincial Department of Finance (四川省財政廳), Sichuan SASAC, CDB Development Fund Co. Ltd. (國開發展基金有限公司) and PRC Government Persons collectively cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Guarantor;
- (iii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, except where such person(s) (in the case of an asset sale or transfer) or the surviving entity (in the case of a consolidation or merger) is/are directly or indirectly Controlled by the PRC Government Persons; or
- (iv) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, except where such person(s) (in the case of an asset sale or transfer) or the surviving entity (in the case of a consolidation or merger) is/are directly or indirectly Controlled by the PRC Government Persons.

“**Control**” means with respect to a Person (where applicable): (i) the ownership or control of not less than 100 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 nominate or designate not less than 100 per cent. of the members then in office of such Person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person. For the avoidance of doubt, a Person is deemed to Control another Person so long as it fulfils one of the three foregoing requirements and the terms “**Controlling**” and “**Controlled**” have meanings correlative to the foregoing.

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

<b>Event of Default</b>	The Bonds will contain certain events of default as further described in the Condition 8 of the Terms and Conditions.
<b>Cross-default</b>	The Bonds will contain cross-default provisions as further described in Condition (8(c) of the Terms and Conditions.
<b>Trustee</b>	The Bank of New York Mellon, London Branch.
<b>Principal Paying Agent</b>	The Bank of New York Mellon, London Branch.
<b>Registrar and Transfer Agent</b>	The Bank of New York Mellon SA/NV, Dublin Branch.
<b>Clearing Systems</b>	The Bonds will be represented initially by interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on or about the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, definitive certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.
<b>Clearance and Settlement</b>	The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 295250569 and the ISIN for the Bonds is XS2952505696.
<b>Notices</b>	So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear or Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to such clearing system.
<b>Legal Entity Identifier</b>	8368005N8JB0K1JNOS83.
<b>Governing Law</b>	English law.
<b>Jurisdiction</b>	Exclusive jurisdiction of the Hong Kong courts.
<b>Further Issues</b>	The Issuer may from time to time, without the consent of the Bondholders to create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest and the deadline for submission of the NDRC Post-issue Filing and Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. Any further bonds shall be constituted by a deed supplemental to the Trust Deed and guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee. See “ <i>Terms and Conditions of the Bonds – Further Issues</i> ”.

**Use of Proceeds**

See “*Use of Proceeds*”.

**Listing**

Application will be made to the MOX for the listing of, and permission to deal in, the Bonds by way of debt issues to MOX Professional Investors only.

**Selling Restrictions**

The Bonds have not been and will not be registered under the Securities Act or under any state securities laws of the United States, are being offered only outside the United States in reliance of Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See “*Placement and Sale*”.

## RISK FACTORS

*An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Information Memorandum and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks relating to the Issuer Group and the Guarantor Group, their business, the market in which the Issuer Group and the Guarantor Group operate and the value of Bonds. Some risks may be unknown to the Issuer Group and the Guarantor Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial conditions, results of operations or prospects of the Issuer Group and the Guarantor Group or the value of the Bonds. The Issuer Group and the Guarantor Group believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but the ability of the Issuer Group and the Guarantor Group to pay interest, principal or other amounts on or in connection with any Bonds may be affected by some factors that may not be considered as significant risks by the Issuer Group and the Guarantor Group on information currently available to them or which they are currently unable to anticipate. All of these factors are contingencies which may or may not occur and the Issuer Group and the Guarantor Group are not in a position to express a view on the likelihood of any such contingency occurring. This Information Memorandum also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer Group and the Guarantor Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Information Memorandum.*

*The Issuer Group and the Guarantor Group do not represent that the statements below regarding the risk factors of the Issuer, the Issuer Group, the Guarantor, the Guarantor Group, the Bonds and the Guarantee are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.*

### **RISKS RELATING TO THE ISSUER GROUP AND ITS BUSINESS**

***The Issuer Group’s businesses, financial conditions, results of operations and prospects are heavily dependent on the level of economic development of Xichang City, Sichuan Province and the PRC.***

The Issuer Group’s businesses and assets are highly concentrated in Xichang City, Sichuan Province. For the three years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023, a substantial amount of the revenue derived from the subsidiaries of Issuer registered in Xichang City accounted for substantially all of the Issuer Group’s revenue. Therefore, the Issuer Group’s businesses, financial conditions, results of operations and prospects have been and will continue to be heavily dependent on the level of economic development of Xichang City, Sichuan Province and the PRC. Please also see “– Substantially all of the Issuer Group’s businesses are based in Xichang City, and the Issuer Group’s business and prospects to a large extent depend upon the spending of the Xichang People’s Government”.

The future prospects of the PRC's, Sichuan Province's and Xichang City's economies depend on many different factors, most of which are beyond the Issuer Group's control. It is uncertain how the economic conditions and future development in Sichuan Province and Xichang City will be affected by the slowdown in the growth of the PRC's economy. For example, according to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP slowed down from 7.0 per cent. in 2015 to 2.2 per cent. in 2020. The PRC's economy showed signs of recovery in 2021. According to the National Statistics Bureau of the PRC, the annual growth rate of the PRC's GDP has increased to 8.1 per cent. in 2021. However, by the year 2022, China's GDP annual growth rate had declined to 3.0 per cent.

It is difficult to predict how the economic development of Xichang City will be affected by a slowdown in the growth of the PRC economy, and there can be no assurance that the policies and measures adopted by the PRC government will be effective in stimulating the recovery of the PRC economy. There can be no assurance that the level of economic development in Xichang City will continue to be maintained at the past rate of growth, if at all. Slowdown in the economic growth in Sichuan Province or Xichang City may affect the fiscal income and financial conditions of the Sichuan Provincial Government and Xichang People's Government as well as their plans and budgets for city development. This may in turn decrease the demand for the Issuer Group's business and materially and adversely affect the Issuer Group's business, financial condition, results of operations and prospects.

**Xichang Finance Bureau and Xichang People's Government can exert significant influence on the Issuer Group, and could cause the Issuer Group to make decisions or modify the scope of its activities, or impose new obligations on the Issuer Group that may not be in the Issuer Group's best interest.**

The Issuer is a state-owned company which is indirectly controlled by Xichang Finance Bureau and ultimately controlled by Xichang People's Government. Xichang Finance Bureau and Xichang People's Government are in the position to significantly influence the Issuer Group's major business decisions and strategies, including the scope of its activities, investment decisions, merger and acquisition, appointment of senior management team and dividend policy. Xichang Finance Bureau and Xichang People's Government may use their ability to influence the Issuer Group in ways that may not be in the Issuer Group's best interest.

Xichang Finance Bureau, Xichang People's Government and other relevant PRC governments may also change their policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment, its projections of population and employment growth. Any amendment, modification or repeal could modify the existing regulatory regime, and materially and adversely affect the Issuer Group's financial conditions and results of operations.

***PRC regulations on the administration of local government debt may have a material adverse effect on the Issuer Group's financing and business models.***

The PRC Government has in recent years issued multiple regulations intended to restrict the ability of local governments to use state-owned enterprises to incur debt that should be directly incurred by government bodies. These regulations include the Opinion of the State Council on Enhancing the Administration of Fiscal Debts of Local Governments (Guo Fa [2014] No. 43) (國務院關於加強地方政府性債務管理的意見(國發[2014] 43號)) (“**Circular 43**”), released on 21 September 2014; the Circular on Further Regulating the Debt Financing Behaviours of Local Government (Cai Yu [2017] No. 50) (關於進一步規範地方政府舉債融資行為的通知(財預[2017] 50號)) (“**Circular 50**”), jointly issued by the MOF, the NDRC, the Ministry of Justice of the PRC, the PBOC, the China Banking Regulatory Commission (reorganised into the China Banking and Insurance Regulatory Commission) and the China Securities Regulatory Commission on 26 April 2017; the Circular on Firmly Curbing Local Governments’ Illegal Financing Activities in the Name of Government Procurement of Services (Cai Yu [2017] No. 87) (關於堅決制止地方以政府購買服務名義違法違規融資的通知(財預 [2017]87號)) (“**Circular 87**”), issued by the MOF on 28 May 2017; the Notice on the Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (Cai Jin [2018] No. 23) (關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018] 23號)) (“**Circular 23**”), issued by the MOF on 28 March 2018; the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (Fa Gai Wai Zi [2018] No. 706) (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知(發改外資[2018] 706號)) (“**Circular 706**”), jointly issued by the NDRC and the MOF on 11 May 2018; the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-owned Enterprises (中共中央辦公廳、國務院辦公廳《關於加強國有企業資產負債約束的指導意見》) (the “**Joint Opinion**”), jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council on 13 September 2018; the Circular on Filing Requirements with respect to Application for Foreign Debt Issuance by Local State-owned Enterprises (Fa Gai Ban Wai Zi [2019] No. 666) (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知(發改辦外資[2019] 666號)) (“**Circular 666**”), issued by the General Office of NDRC on 6 June 2019; and the Circular on Issuing the Guiding Opinions on Strengthening the Risk Control of the Debts of Local State-owned Enterprises (關於印發《關於加強地方國有企業債務風險管控工作的指導意見》的通知(國資發財評規[2021] 18號)) (“**Circular 18**”), issued by the State-owned Assets Supervision and Administration Commission of the State Council on 28 February 2021 (Circular 43, Circular 50, Circular 87, Circular 23, Circular 706, the Joint Opinion, Circular 666 and Circular 18, together, the “**Debt Control Circulares**”).

Circular 50 reaffirmed the Circular 43 policy that local governments are not permitted to use any means other than bonds for debt financing and are prohibited from requesting or ordering enterprises to issue debt on their behalf. Circular 87 required that local governments and their departments shall not take advantage of or fabricate contracts for government procurement of services in such a manner that conceals an underlying objective of raising funds for any construction project. Circular 23 and Circular 706 established policies for foreign debt issuance, including the prohibition against public assets being included as enterprise assets and restrictions on making disclosure in this Information Memorandum that imply government endorsement of the issuance or an association with the government’s credit. The Joint Opinion, consistent with Circular 43 and Circular 50, bans local governments from engaging in “disguised” borrowing by using state-owned enterprises to issue corporate debt on their behalf.

The Issuer Group believes that the PRC Government will continue to implement the Debt Control Circulars to control local government debts. Accordingly, the Issuer should rely on the cash flow generated from its operations and external borrowings to finance its operations and to satisfy its liquidity needs for servicing its outstanding indebtedness. Pursuant to the terms of the Bonds and as required by the Debt Control Circulars, neither Xichang Finance Bureau, Xichang People's Government nor any other PRC governmental entity has any obligation to repay any amount under the Bonds and will not provide a guarantee of any kind for the Bonds. The Bonds are solely to be repaid by the Issuer, and the obligations of the Issuer under the Bonds shall solely be fulfilled by the Issuer Group, as the case may be, as independent legal persons. If the Issuer does not fulfil its obligations under the Bonds (as the case may be), the Bondholders will only have recourse against the Issuer but not Xichang Finance Bureau, Xichang People's Government or any other PRC governmental entity.

The PRC Government may continue to release new policies or amend existing regulations to control the increase in local governmental debts in the PRC. There is no assurance that the Issuer Group's financing and business model and its indebtedness will not be materially affected by future changes in the regulatory regime concerning the local state-owned enterprises in response to such regulations.

***Substantially all of the Issuer Group's businesses are based in Xichang City, and the Issuer Group's business and prospects to a large extent depend upon the spending of the Xichang People's Government.***

The Issuer Group is indirectly controlled by the Xichang People's Government and is designated by the Xichang People's Government to carry out its building materials sales, scenic spot operation and maintenance services, urban transportation services, house rental and property management services, tourism services and other services in Xichang City. As many of these businesses operate in sectors of public interest, governmental agencies and state-owned enterprises are among the Issuer Group's major customers and the Issuer Group's businesses are to a large extent funded by the Xichang People's Government. Grants and subsidies from the Xichang People's Government is an important source of the Issuer Group's working capital and such support substantially strengthens the Issuer Group's profitability and ability to invest in large-scale capital-intensive projects. There can be no assurance that such government grants or subsidies will not be reduced or revoked and a reduction or discontinuance of such government grants or subsidies may materially and adversely affect the financial condition and results of operations of the Issuer Group. Due to the nature of the Issuer Group's businesses, its business and financial performance may be largely affected by changes in the spending or budget of the Xichang People's Government, especially by any significant reduction in the Xichang People's Government's public spending. The Issuer Group's businesses and prospects have historically been, and may continue to be, affected by the public spending or budget of the Xichang People's Government on the Issuer Group's businesses.

There are a number of factors affecting the Xichang People's Government's spending and budget on the Issuer Group's businesses. The key factors include government policies and priority relating to the development of different industries and the Xichang People's Government's fiscal and monetary policies. Such spending and budget are also affected by the government income and the general economic conditions in the PRC and in Sichuan Province. Any slowdown in the overall economic conditions of the PRC or Sichuan Province may affect the economic development of Xichang and the fiscal conditions of the Xichang People's Government, which may in turn materially and adversely affect the spending and budget of the Xichang People's Government on the Issuer Group's businesses in Xichang. If the spending or budget of the Xichang People's Government on the Issuer Group's businesses decreases, the Issuer Group's businesses, financial conditions, results of operations and prospects may be materially and adversely affected.

***A reduction or discontinuance of government support could materially and adversely affect the financial conditions and results of operations of the Issuer Group.***

In light of the strategic importance of the Issuer Group to Xichang City, the Issuer Group has received various kinds of support (excluding credit support or guarantees) from Xichang People's Government to support its investments in and operation of its businesses.

There can be no assurance that Xichang People's Government will continue to provide support to the Issuer Group or that the capital injections, fiscal subsidies from the PRC government and preferential tax will not be adjusted or terminated due to changes in government policy or otherwise.

If favourable capital injections, fiscal subsidies from the PRC government and preferential tax which are currently available to the Issuer Group are reduced, eliminated or delayed in the future, some of the Issuer Group's businesses may no longer be viable, and the financial conditions and results of operations of the Issuer Group may be materially and adversely affected.

***The Issuer Group's operating cash flow is subject to relatively large fluctuation which may materially and adversely affect its repayment ability.***

The cash flow from operating activities of the Issuer Group is subject to a relatively large fluctuation. The Issuer Group's cash inflows from operating activities mainly include cash inflows from operating businesses such as scenic spot operations, scenic spot operation and maintenance, public transportation services, sand and gravel sales, house leasing and property management, financial subsidies and current accounts, and the Issuer Group's cash outflows from operating activities mainly include operating costs and current accounts paid by the Issuer Group in the operation of its business such as scenic spot operations, public transportation services, sand and gravel sales, house leasing and property management. Overall, the Issuer Group's operating cash flow is largely affected by receivables from its main business and current accounts. Fluctuations in cash flow from operating activities will affect the Issuer Group's capital turnover and capital arrangements to a certain extent. There is no assurance that the Issuer Group is able to sustain stable cash inflows at all times, if at all, and may materially and adversely affect its repayment ability.

***High concentration of suppliers and customers in the Issuer Group's steel sales business may materially affect its business and prospects.***

The Issuer Group's steel sales business is mainly carried out by the Issuer itself. The Issuer mainly purchases steel mainly from three upstream suppliers and sells its products to two downstream customers. For details, please refer to the section headed "*Description of the Issuer Group – Description of the Issuer Group's Businesses – Building Materials Sales*". The logistics of steel sales goods is delivered directly from the upstream suppliers to the downstream customers without the involvement of the Issuer.



There is no assurance that we would be able to maintain good business relationships with the major suppliers and customers in the future. There is no guarantee that the suppliers and customers will not reduce their supplies and purchases from the Issuer Group in the future or take actions to negotiate the terms of agreements. In addition, if any of the Issuer Group's major suppliers or customers ceased to supply to or purchase from the Issuer Group or reduced significantly their suppliers or purchases in the future due to reasons such as loss of market share, reduced competitiveness, trade restrictions, changes in business strategies or production plans, deterioration in their business relationship with the Issuer Group, operational difficulties and deterioration in financial condition, or if the Issuer Group is unable to renew our contracts with the suppliers or customers or identify new suppliers or customers promptly or at all, the sales volume of the Issuer Group in steel sales business may significantly decrease, which may materially and adversely affect the Issuer Group's business, results of operations, financial condition and prospects.

***Adjustment of the Issuer Group's sand and gravel sales business may materially and adversely affect the gross profit margin of the building materials sales, or the business performance of the Issuer Group as a whole.***

In September 2023, the Issuer Group's former controlling shareholder, Xichang State-owned Assets Management Co., Ltd. (西昌市國有資產經營管理有限責任公司), issued the Announcement on Changes in the Sand and Gravel Sales Business (《關於砂石銷售業務變更的公告》), pursuant to which the management of sand and gravel resources should be separated from production and sales. Originally, Xichang Hongxin Sand and Stone Development Co., Ltd. (西昌市洪鑫砂石開發有限責任公司) ("**Hongxin Sand**"), a wholly-owned subsidiary of the Issuer, is responsible for the entire sand and gravel resource management process. After the adjustment, the process is divided into two sections, namely, mining and processing of sand and gravel resource and transportation and sales. Accordingly, Hongxin Sand conducts unified collection and storage management of its legally acquired sand and gravel resources as well as the sand and gravel resources entrusted by Xichang State-owned Assets Management Co., Ltd. (西昌市國有資產經營管理有限責任公司) and Heyuan Logistics Company (和源物流公司), and carry out mining and processing in an orderly manner according to the production plan. After calculating a reasonable profit, Hongxin Sand will sell the processed sand and gravel products to Xichang Guorui New Building Materials Development Co., Ltd. (西昌國瑞新型建材開發有限公司), which will then organise external transportation and marketing according to customer needs.

Upon the adjustment of the Issuer Group's sand and gravel sales business, there were no significant changes in other sections in the process except the sales part. Due to the addition of Xichang Guorui New Building Materials Development Co., Ltd. (西昌國瑞新型建材開發有限公司) in the sales process, the overall business gross profit margin may decline to a certain extent while ensuring reasonable profits would be ensured. In any event, the Issuer Group is subject to the risk of decline in gross profit caused by the adjustments to the business model of the sand and gravel sales.

***Any acquisitions or strategic investments the Issuer Group undertakes could be difficult to integrate or manage or may not be successful and may negatively impact the Issuer Group's results of operations and financial condition.***

The Issuer Group has in the past acquired and may in the future acquire other businesses or companies whose assets, capabilities and strategies the Issuer Group believes are complementary to and are likely to enhance the Issuer Group's business operations in the countries and territories in which the Issuer Group operates. Acquisitions involve numerous risks, including potential difficulties in the retention and assimilation of personnel, risks and difficulties associated with integrating the operations and culture of acquired businesses, diversion of management's attention and other resources, and lack of experience and knowledge in the industry and market of the acquired businesses. In addition, acquisitions may result in the incurrence and inheritance of debts and other liabilities, assumption of potential legal liabilities in respect of the acquired businesses, and incurrence of impairment charges related to goodwill and other intangible assets, any of which could harm the Issuer Group's results of operations and financial condition. In particular, if any of the acquired businesses fails to perform as the Issuer Group expects, the Issuer Group may be required to recognise a significant impairment charge, which may materially and adversely affect the Issuer Group's results of operations. As a result, there can be no assurance that the Issuer Group will be able to achieve the strategic purpose of any acquisition, the desired level of operational integration or the Issuer Group's investment return target. It is also possible that the Issuer Group may not be able to identify suitable acquisition or investment candidates, or that if the Issuer Group does identify suitable candidates, the Issuer Group may not complete those transactions on terms commercially acceptable to the Issuer Group or at all, or the Issuer Group may fail to obtain the required governmental and other approvals for such acquisitions or investments. The inability to identify suitable acquisition or investment targets or the inability to complete such transactions may adversely affect the Issuer Group's competitiveness or the Issuer Group's growth prospects.

***Fluctuations in the macroeconomic and market conditions could materially and adversely affect the Issuer Group's business.***

The Issuer Group's business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, availability of short-term and long-term financing sources, upward and downward trends in the trading, industrial and financial sectors, monetary and fiscal policies, foreign exchange policies and currency fluctuations, taxation policies and other macroeconomic policies, including changes in the policies relating to urban development planning, as well as laws and regulations affecting the infrastructure construction industries.

Unfavourable trading or economic environments, including the continued global financial uncertainties, have had and may continue to have an adverse impact on consumers' confidence and global trading markets. In addition, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment rate, consumer confidence, declining asset values, capital market volatility and liquidity issues have resulted in adverse market conditions.

Poor market conditions could affect the value of the Issuer Group's assets while favourable market conditions may not be sustainable. Lack of liquidity or price volatility could reduce the value of the assets that the Issuer Group invests in or manages which, in turn, may have a material adverse effect on its business, growth prospects, net inflows of assets under management, fee income, results of operations and/or financial condition. The Issuer Group may also suffer losses on stock index futures contracts it enters into if stock indices move unfavourably.

***The Issuer Group may not be able to renew its existing mining rights in relation to the mining of sand and gravel resources for its building materials sales business.***

The Issuer Group is required to obtain mining rights before undertaking any mining activities, and the mining rights are limited to a specific area during a fixed license period. As of the Latest Practicable Date, Hongxin Sand, a wholly-owned subsidiary of the Issuer, owned a river sand mining license since September 2009. Since the license was only valid for one year, the Issuer Group is required to renew the sand mining license every year. There can be no assurance that such mining license will be renewed upon expiration, or, if renewed, on terms that are commercially reasonable.

Since 2009, the Xichang Municipal Government has intensified supervision and rectification efforts on cleaning up and rectifying the sand and gravel industry of Xichang City, and shutting down illegal private excessive mining excavation and of sand mining enterprises. According to the meeting of the Xichang Municipal Government, as well as stipulations under the Minutes of the 48th Standing Committee Meeting of the Seventh Xichang Municipal Committee of the Communist Party of China (the 48th Session of the Seventh Session, Issue 7-3) (《中共西昌市委七屆四十八次常委會議紀要》(七屆48次第7-3期)), the Reply of the Xichang Municipal People's Government on the Anning River Sand and Gravel Mining Rights in 2017 (Xifu Fa [2017] No. 264) (《西昌市人民政府關於2017年度安寧河河道砂石開採權批復》(西府發[2017] 264號)), Xichang Municipal People's Government's Reply on the Anning River Sand and Gravel Mining Rights in 2018 (Xifu Fa [2018] No. 146) (西昌市人民政府關於2018年度安寧河河道砂石開採權的批復》(西府發[2018] 146號)) and Xichang Municipal People's Government Approval of matters in relation to the "2020-2024 River Sand Mining Planning Report for the Xichang City Section of the Anning River" (Xifuhan [2019] No. 137) (《西昌市人民政府關於同意〈安寧河西昌市河段2020-2024年河道採砂規劃報告〉等事項的批復》(西府函[2019] 137號)), Hongxin Sand is the sole holder of the river sand mining license in Xichang City which organises the mining, operation and sales of sand and gravel resources within Xichang City. If the Xichang Municipal Government no longer designates Hongxin Sand or any member of the Issuer Group to be responsible or solely responsible for the sand and gravel resource business in the future, or if the Issuer Group is unable to renew this license or renew this license at a reasonable cost, or if the Issuer Group exhausts its existing mine reserves, the Issuer Group may have to seek alternative sources of sand and gravel that may be farther away from its facilities which will result in higher transportation costs. If the Issuer Group is unable to find alternative sources of sand and gravel, the Issuer Group may not be able to continue its operations of the sand and gravel sales business. Given that the Issuer Group's sand and gravel production and sales business accounts for a relatively high proportion of operating income and profit of the Issuer Group, the business, financial condition and results of operations of the Issuer Group may be materially and adversely affected.

***The Issuer Group may encounter emergencies which are may adversely affect the Issuer Group's production, operation and financial conditions.***

In the course of operation of the Issuer Group, the Issuer Group may encounter emergencies such as construction public safety accidents and major market price fluctuations. Such emergencies may be sporadic and serious. Although the Issuer Group has formulated corresponding emergency response mechanisms, the sporadic and serious nature of such emergencies may still have an adverse impact on the Issuer Group's normal production, operations and decision-making, as well as the financial conditions of the Issuer Group.

***The Issuer Group's business operations are capital intensive and any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.***

The Issuer Group's business operations require substantial capital resources. The Issuer Group has historically satisfied its capital requirement with external debt financing. The Issuer Group is undertaking numerous projects and will continue to require substantial and continuous capital resources to support its business operations and expansion. With the rapid development of the Issuer Group's main business and the implementation of future development plans, the scale of operations of the Issuer Group will expand rapidly, and it is expected that the demand for funds will increase significantly in the next few years. Accordingly, any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.

The ability of the Issuer Group to generate sufficient operating cash flow is affected by a number of factors, such as the Issuer Group's ability to manage and implement business activities, the local government's payment schedule, due performance of the Issuer Group's contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Issuer Group operates. There can be no assurance that the Issuer Group's operations are able to continue to generate sufficient cash inflow to always satisfy its cash needs. Any adverse changes in any of these factors, which may be out of the Issuer Group's control, may create capital shortfall. There is no assurance that the Issuer Group's operations are able to generate sufficient cash to satisfy the Issuer Group's cash need at all times, if at all.

***Significant indebtedness may restrict the Issuer Group's business activities and increase the Issuer Group's exposure to various operational risks.***

The Issuer Group primarily relies on cash flow generated from its operations, bank loans, other borrowings and equity contributions from its shareholder to satisfy its capital requirements and the Issuer Group has had a significant amount of outstanding indebtedness. Substantial indebtedness could impact on the Issuer Group's businesses in a number of ways, including:

- requiring the Issuer Group to dedicate part of its operating cash flow to service its indebtedness before it receives the government funding;
- increasing the Issuer Group's finance costs, thus affecting the overall profits of the Issuer Group;
- limiting the Issuer Group's flexibility in planning for or responding to changes in the Issuer Group's businesses and the industries in which it operates;
- limiting, together with the financial and other restrictive covenants of the Issuer Group's indebtedness, among other things, the Issuer Group's ability to borrow additional funds; and
- increasing the Issuer Group's vulnerability to adverse general economic and industry conditions.

Certain financing contracts entered into by members of the Issuer Group contain operational and financial restrictions that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior consent. Such restrictions may negatively affect the Issuer Group's ability to respond to changes in market conditions, pursue the business opportunities the Issuer Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Issuer Group's ability to satisfy its obligations under outstanding financial obligation, such as the Bonds after issuance.

If the Issuer or any of its relevant subsidiaries is unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other financing agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the creditors may be entitled to terminate their commitments granted to the Issuer or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, depending on the provisions of the relevant agreements. Some financing agreements of the Issuer Group may contain cross-acceleration or cross-default provisions, which give creditors under these financing agreements the option to require the Issuer Group to immediately repay their loans or declare on the borrower as a result of the acceleration or default of other financing agreements by any other member of the Issuer Group. If any of these events occur, there can be no assurance that the Issuer Group will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Issuer or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer or its subsidiaries would be able to find alternative financing. Even if the Issuer and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or, as the case may be, its subsidiaries.

Third-party security rights may limit the Issuer Group's use of the underlying collateral assets, and materially and adversely affect its operation efficiency. If the Issuer and its subsidiaries are unable to service and repay their debts under such loan facilities on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may materially and adversely affect the Issuer Group's businesses, financial conditions, results of operations and prospects.

***The Issuer Group's results of operations may be susceptible to the material fluctuations of interest rates.***

The Issuer Group has substantial indebtedness outstanding. See “– Significant indebtedness may restrict the Issuer Group's business activities and increase the Issuer Group's exposure to various operational risks”. The majority of the Issuer Group's indebtedness bears interests that accrue at interest rates linked to benchmark lending rates published by PBOC which is now required to be converted into loan prime rate (“LPR”) published by National Interbank Funding Centre as authorised by PBOC. Any material fluctuation in the benchmark lending rate or LPR may have a material impact on the Issuer Group's interest expenses and payables under its bank loans and other borrowings and in turn affect its results of operations. The PRC government from time to time adjusts interest rates as implementation of the PRC government's economic and monetary policies. Any material fluctuation in the benchmark lending interest rate or LPR could have a material impact on the Issuer Group's interest payables under its bank loans and in turn affect its financial condition and results of operations. The Issuer Group's future loan facilities may also carry interest rates based on the LPR and subject to market conditions. There is no assurance, as a result of any increase in PBOC benchmark rate, LPR or otherwise, the Issuer Group will be able to service its existing bank borrowings as they become due or obtain sufficient additional bank borrowings going forward on commercially acceptable terms, or at all, which could have a material and adverse effect on the Issuer Group's businesses, financial conditions and results of operations.

***The Issuer Group faces risks associated with contracting with public bodies.***

As a designated entity controlled by Xichang People's Government to carry out building materials sales, scenic spot operation and maintenance services, urban transportation services, house rental and property management services, tourism services and other services in Xichang City, the Issuer Group collaborates with various governmental authorities and their controlled entities in conducting its businesses. Although the Issuer Group believes that it currently maintains close working relationships with those governmental authorities and their controlled entities relevant to its businesses, there is no assurance that such close working relationships will be maintained in the future. Local governments and their controlled entities may (i) have economic or business interests or considerations that are inconsistent with those of the Issuer Group, (ii) take actions contrary to the Issuer Group's requests, policies or objectives, (iii) be unable or unwilling to fulfil their contractual obligations in a timely manner, if at all, (iv) change existing policies and project plans without prior notice or consent from the Issuer Group for reasons such as government budgeting, (v) encounter financial difficulties, or (vi) have disputes with the Issuer Group as to the contractual terms or other matters. In addition, the Issuer Group mainly contracts with Xichang People's Government or other governmental authorities or follows investment plans issued by governmental authorities in Xichang City. There is no assurance that the Issuer Group will be able to successfully resolve material disagreements with Xichang People's Government or other contracting counterparties controlled by Xichang People's Government in a timely manner, or at all. Disputes with public bodies may last longer than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these incidents may materially and adversely affect the business relationships between the Issuer Group and Xichang People's Government, which may in turn materially and adversely affect the Issuer Group's businesses, financial conditions, results of operations and prospects.

***The Issuer Group faces management risks due to its diverse business portfolio and numerous subsidiaries and affiliated companies.***

The Issuer Group has a number of subsidiaries and associated companies operating in multiple industries. Through these subsidiaries and associated companies, the Issuer Group's operation and investment primarily focus on six major business segments, namely (i) building materials sales, (ii) scenic spot operation and maintenance services, (iii) urban transportation services, (iv) house rental and property management services, (v) travel services, and (vi) other services. As such, the Issuer Group is exposed to business, market and regulatory risks associated with multiple businesses.

Further, the Issuer Group may from time to time expand its businesses to new industries, markets in which it has limited operating experience. Such expansion may require the Issuer Group to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses, which may distract its resources from its principal business operations and, in turn, materially and adversely affect the Issuer Group's business, financial condition and results of operations. If the Issuer Group fails to adjust its management model and improve its management capabilities in a timely manner to meet the changing needs of its business, it may face management risks arising from its diverse business portfolio and numerous subsidiaries and affiliated companies.

The Issuer Group also strives to implement its internal control measures, corporate governance and operational and safety standards to its subsidiaries and affiliated companies in a uniform manner. However, given the large number of its subsidiaries and affiliated companies, it may be difficult to implement internal control measures, corporate governance and operational and safety standards to its subsidiaries and affiliated companies. There is no assurance that the Issuer Group can effectively monitor each subsidiary and affiliated company and prevent non-compliance. Failure to do so may result in violations of local regulations, which may materially and adversely affect the Issuer Group's business, financial condition and results of operations.

***Increases in labour costs or labour shortages of any third-party contractors engaged for the Issuer Group's projects could materially and adversely affect the Issuer Group's businesses, results of operations and prospects.***

Some of the Issuer Group's businesses are labour intensive. The Issuer Group may also rely on third-party contractors to carry out such businesses and other activities. Any increase in the labour costs of those third-party contractors may negatively affect the Issuer Group's cash flow, which could materially and adversely affect the Issuer Group's businesses, prospects and results of operations. Increasing awareness of labour protection as well as increasing minimum wages is likely to increase the labour costs of PRC enterprises in general, including the Issuer Group or the contractors participating in the Issuer Group's projects.

In addition, strikes or other labour unrests could directly or indirectly prevent or hinder the progress of the Issuer Group's projects, and, if not resolved in a timely manner, could lead to delays in completing the Issuer Group's projects. Such actions are beyond the Issuer Group's foreseeability or control. There is no assurance that labour unrest will not affect general labour market conditions or result in further changes to labour laws.

***The commodity sales industry is very competitive and the Issuer Group may have difficulty in effectively competing with other companies in the industry.***

The commodity sales industry is characterised by strong competition. The Issuer Group faces intense competition with sales companies with greater diversification across different commodity groups and global geographical presence and scale. These competitors are generally in a better position with regard to operating scale, profitability, resources, distribution networks, import and export permit for merchandises sold by the Issuer Group and completeness of the industrial chain, while the Issuer Group mainly focuses on a narrower commodity group and geographic area. Furthermore, these competitors may, in the future, use their resources to expand into all of the markets in which the Issuer Group operates and therefore compete further against the Issuer Group. These competitors may also expand and diversify their merchandise sourcing, processing or marketing operations, or engage in pricing or other financial or operational practices that could increase competitive pressure on the Issuer Group across each of the merchandises it has sales business on. The Issuer Group also faces increasing competition from domestic and international competitors. Increased competition may result in losses of market shares for the Issuer Group, and could materially adversely affect its business, financial condition, results of operations and prospects.

***The Issuer Group is exposed to fluctuations in commodity prices and deterioration in economic and financial condition.***

The operating income generated from the Issuer Group's commodity sales business is closely associated with prevailing commodity prices. Commodity prices are influenced by a number of external factors, including the supply and demand for commodity, speculative activities of market participants, global political and economic conditions, as well as related industry cycles and production costs in major producing countries. Fluctuations in the price of commodities sold by the Issuer Group could materially impact the Issuer Group's business, financial condition, results of operations and prospects.

If the prices for a particular commodity are higher on average, the premiums/margins that the Issuer Group generates in its sales operations relating to such commodity tend to be higher. The Issuer Group's commodity sales business also generally benefits from fluctuating market prices, rather than long periods of stable prices, as it seeks to physically arbitrage such resulting price differentials. When prices of commodity rise, the Issuer Group generally has higher working capital financing requirements over the same quantity of such commodities. During periods of falling commodity prices, the Issuer Group requires less working capital financing for its commodity sales business.



***Any failure to maintain an effective quality control system could have a material and adverse effect on the Issuer Group's businesses and operations.***

The Issuer Group relies heavily on its quality control systems to ensure the safety and quality of its projects and products. Therefore, it needs to maintain an effective quality control system for the Issuer Group's building materials sales, scenic spot operation and maintenance services, urban transportation services, house rental and property management services, tourism services and other services. The effectiveness of the Issuer Group's quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit the ever-changing business needs, the related training programs as well as its ability to ensure that the Issuer Group's and the contractors' employees adhere to its quality control policies and guidelines. There can be no assurance that the quality of the projects undertaken by the Issuer Group will always meet the required standard. Any failure or deterioration of the Issuer Group's quality control systems could result in defects in its projects, which in turn may subject the Issuer Group to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause the Issuer Group to incur significant costs, harm its business reputation and result in significant disruption to its operations. Furthermore, if any of such claims are ultimately successful, the Issuer Group could be required to pay substantial monetary damages or penalties. Although the Issuer Group believes that its quality control systems have functioned properly, there can be no assurance that failures in its quality control systems will not occur in the future, and any such failure could have a material and adverse effect on the Issuer Group's businesses and operations.

***The Issuer Group may be adversely affected by the performance of third-party contractors.***

The Issuer Group engages third-party contractors for its business. However, there is no assurance that the services rendered by any of these independent contractors or subcontractors will always be satisfactory or meet the Issuer Group's quality and safety standards. If the performance of any independent contractor is not satisfactory, the Issuer Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Furthermore, the completion of its projects may be delayed, and the Issuer Group may incur additional costs in some cases due to a contractor's financial or other difficulties. In addition, the Issuer Group may be requested on short notice to undertake additional development projects such as infrastructure and public facilities by the government, and there may be a shortage of contractors that meet the Issuer Group's quality requirements. Contractors may undertake projects for other companies and developers, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Issuer Group on time or within budget. Any of these factors could have a material adverse effect on the Issuer Group's business, financial condition and results of operations.

***The Issuer Group is subject to various environmental, safety and health regulations in the PRC and any failure to comply with such regulations may result in penalties, fines, governmental sanctions, proceedings or suspension or revocation of its licenses or permits.***

The Issuer Group is required to comply with extensive environmental, safety and health regulations in the PRC. Failure to comply with such regulations may result in fines or suspension or revocation of the Issuer Group's licenses or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that the Issuer Group will be able to comply with all applicable requirements or obtain these approvals and permits on a timely basis, if at all. As at the date of this Information Memorandum, the Issuer Group has not received any notice regarding non-compliance with the applicable safety regulations or requirements from any government authority. In addition, PRC laws and regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations in the future, which may increase compliance costs of the Issuer Group.

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

The success of the Issuer Group's businesses is dependent to a large extent on its ability to attract and retain key personnel who possess in-depth knowledge and understanding of the industries in which the Issuer Group invests or operates. These key personnel include members of the Issuer Group's senior management, experienced investment managers and finance professionals, project development and management personnel, legal professionals, risk management personnel, information technology and other operation personnel. Competition for attracting and retaining these individuals is intensive. Such competition may require the Issuer Group to offer higher compensation and other benefits in order to attract and retain qualified professionals, which could materially and adversely affect the Issuer Group's financial conditions and results of operations. As a result, the Issuer Group may be unable to attract or retain these personnel to achieve its business objectives and the failure to do so could severely disrupt its business and prospects. For example, the Issuer Group may not be able to hire enough qualified personnel to support its new projects or business expansion. As the Issuer Group expands its business or hires new employees, the employees may take time to get accustomed to any new standard procedures and consequently may not comply with the standard procedures of any new business in an accurate and timely manner. The occurrence of any of the events discussed above could lead to unexpected loss to the Issuer Group and materially and adversely affect its revenue and financial conditions.

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

The Issuer Group may be exposed to fraud or other misconduct committed by its employees, representatives, agents, customers or other third parties that could subject it to financial losses and sanctions imposed by governmental authorities, which in turn affects its reputation. Such misconduct could include:

- hiding unauthorised or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Issuer Group in deciding whether to make investments or dispose of assets;

- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Issuer Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorised limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorised or excessive transactions to the detriment of the Issuer Group's customers;
- making or accepting the bribery activities;
- conducting any inside dealing; or
- otherwise not complying with applicable laws or the Issuer Group's internal policies and procedures.

The Issuer Group's internal control procedures are designed to monitor its operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Issuer Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

***The Issuer Group may face project management risks and have difficulties in implementing and monitoring corporate policies across its subsidiaries and portfolio companies.***

The Issuer Group faces a certain degree of project management risk on various projects it operates, manages and/or invests in. For example, the Issuer Group may within a short period of time commence operation of a number of projects, which may place a strain on the Issuer Group's ability to adequately manage, schedule, raise capital and supervise the quality of all the projects. The Issuer Group may also encounter safety problems during operation of its projects, including accidents, operational and management safety hazards. If there is any improper handling in the maintenance of facilities, this may in turn adversely affect the Issuer Group's cost control, project progress, daily operations as well as corporate image and reputation.

The Issuer Group strives to implement its corporate governance and operational and safety standards across each of its members in a uniform manner. Implementing and monitoring corporate governance and operation and safety standards may prove difficult and a failure to do so may result in violations of local regulations. There can be no assurance that the Issuer Group can effectively monitor each member and prevent non-compliance. This may result in violations that could adversely affect the Issuer Group's reputation and business prospects, which could materially and adversely affect its business, financial conditions and results of operations.

***The Issuer Group may face the risk of external guarantees of its subsidiaries.***

The Issuer provides guarantees for the debts of its subsidiaries, and members of the Issuer Group provide external guarantees to third parties. Although the guaranteed parties are mainly local state-owned entities with good credit, there is no assurance that all guaranteed parties are able to repay their loans on time and in full. In the future, if the guaranteed party experiences operational difficulties and is unable to repay the debts guaranteed by the Issuer Group, the Issuer Group will be responsible for the repayment of the relevant debt, which may negatively impact the Issuer Group's liquidity and solvency.

***The Issuer Group engages in government policy projects which serve the public interest for which the Issuer Group may not be able to achieve commercial returns.***

The Issuer is a state-owned enterprise under the supervision of Xichang Finance Bureau. As a state-owned enterprise, it is from time to time required to engage and participate in projects and business which are motivated by public interests and social welfare development. As many of these businesses operate in sectors of public interest, governmental agencies and state-owned enterprises are among the Issuer Group's major customers and the Issuer Group's businesses are to a large extent funded by the Xichang People's Government. Grants and subsidies from the government is an important source of working capital and such support substantially strengthens the Issuer Group's profitability and ability to invest in projects in Xichang City. There can be no assurance that such government grants or subsidies will not be reduced or revoked and a reduction or discontinuance of such government grants or subsidies may materially and adversely affect the financial condition and results of operations of the Issuer Group. Due to the nature of the Issuer Group's businesses, its business and financial performance may be materially affected by changes in the spending or budget of the Xichang People's Government, especially by any significant reduction in the public spending of the Xichang People's Government. The Issuer Group's businesses and prospects have historically been, and may continue to be, affected by the public spending or budget of the Xichang People's Government on the Issuer Group's businesses in Xichang City. As such, the spending or budget from Xichang People's Government in the future will have a significant impact on the income and profits of the Issuer Group.

The Issuer Group has received fiscal subsidies or asset injections, in the form of cash or other assets, and may receive other financial support from Xichang People's Government for such projects. However, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations or may not be sufficient to cover all the Issuer Group's costs and expenses in relation to engaging in such businesses. Additionally, it is uncertain whether the government will be able to provide such financial support in the future. The Issuer Group has limited resources, and engagement in such businesses may reduce its ability to participate in other profit-generating projects. There can be no assurance that the Issuer Group's businesses, results of operations and financial conditions will not be materially and adversely affected as a result.

***The Issuer Group's businesses may be affected by an outbreak, or threatened outbreak, of any severe contagious disease which may in turn significantly reduce demand for the Issuer Group's services and have a material and adverse effect on its financial conditions and results of operations.***

The Issuer Group's business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond the Issuer Group's control may materially and adversely affect, in particular, the scenic spot management services under the scenic spot operation and maintenance services business of the Issuer Group which performance relies mainly on the prosperity of tourism business in Xichang City, the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Middle East Respiratory Syndrome (MERS), Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, human swine flu (also known as Influenza A (H1N1)) or COVID-19.

Any further disruption to the Issuer Group's business activities may negatively affect its liquidity and access to capital. Any future occurrence of natural disasters, acts of war or terrorism, epidemics, or other factors beyond the Issuer Group's control, especially in the cities where the Issuer Group has operations, may delay completion of the Issuer Group's projects in operation and under construction as scheduled, causing substantial increase in development costs which may result in a material impact on the Issuer Group's related business, which in turn may adversely affect its financial conditions, business, prospects and results of operations. In addition, if any of the employees of the Issuer Group are affected by any severe communicable disease including COVID-19, it may involve a temporary closure of the facilities of the Issuer Group to prevent the spread of the disease, which could materially and adversely affect the business, results of operations, financial condition and prospects of the Issuer Group. The spread of any severe communicable disease may also affect the operations of the customers and suppliers of the Issuer Group, which could in turn materially and adversely affect the business, results of operations, financial condition and prospects of the Issuer Group.

Governments and central banks around the globe have introduced or are planning fiscal and monetary stimulus measures including tax cuts, direct subsidies, rates cuts, bond repurchase programmes and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the pandemic, stabilise the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives or be successful in containing the economic impact of the pandemic or stabilising the markets.

As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatilities which may materially and adversely affect the economy of the PRC, and in turn, affect the Issuer Group, its business and financial conditions, as well as outlook and the value of the Bonds.

***The Issuer Group may become involved in various legal proceedings or other disputes in the normal course of the Issuer Group's operations.***

In the normal course of the Issuer Group's operations, the Issuer Group may become involved in, named as a party to, or be the subject of, various legal proceedings or other disputes, including regulatory proceedings, tax proceedings and legal actions, related to personal injuries, property damage, property tax, land rights, the environment and contract disputes. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Issuer Group and, as a result, could have a material and adverse effect on the Issuer Group's assets, liabilities, business, financial conditions and results of operations.

***The insurance coverage of the Issuer Group may not adequately protect it against all operational risks.***

The Issuer Group faces various operational risks in connection with its business, including but not limited to:

- production interruptions caused by operational errors, electricity outages, raw material shortages;
- equipment failure and other production risks;
- operating limitations imposed by environmental or other regulatory requirements;
- work-related personal injuries;
- on-site production accidents;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

To manage operating risks, the Issuer Group maintains insurance policies that provide different types of risk coverage, which the Issuer Group believes to be commensurate with industry and business practice in the PRC. However, claims under the insurance policies may not be honoured fully or on time, or the insurance coverage may not be sufficient to cover costs associated with accidents incurred in the Issuer Group's operations due to the above-mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Issuer Group or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Issuer Group's results of operations and cash flow may be materially and adversely affected.

***The Issuer may publish periodical financial information of the Issuer Group in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and should not rely on such financial information to make their investment decisions.***

The Issuer from time to time issue corporate bonds in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Issuer may need to publish its quarterly, half year and annual financial information to satisfy its continuing disclosure obligations relating to its notes in the domestic capital markets. The quarterly and half year financial information of the Issuer Group published by the Issuer in the PRC is normally derived from the Issuer Group's management accounts and has not been audited or reviewed by independent auditors. As such, such financial information published in the PRC should not be relied upon by potential purchasers to provide the same quality of information associated with any audited information. The published financial information in the PRC may be adjusted or restated to address subsequent changes in accordance with the accounting standards, the Issuer Group's accounting policies and/or applicable laws and regulations affecting the Issuer Group's financial reporting or to reflect the subsequent comments given by the independent auditors during the course of their audit or review. Such adjustment or restatement may cause discrepancies between the financial information with respect to a particular period or date contained in the Issuer Group's management accounts subsequently published in the PRC and its audited or reviewed financial statements to be provided to holders of the Bonds. There is no assurance regarding the accuracy of these unaudited and unreviewed financial information from time to time published in the PRC of the Issuer Group and therefore investors should not rely on any such financial information.

***Public corporate disclosure about the Issuer may be limited.***

As the Issuer is not listed on any stock exchange, there may be less publicly available information about the Issuer Group than those listed companies.

## **RISKS RELATING TO THE PRC**

***Changes in the PRC's economic, political and social conditions and government policies may have an adverse effect on the Issuer Group's and the Guarantor Group's business, financial condition and results of operations.***

Substantially all of the Issuer Group's and the Guarantor Group's assets and operations are located in Sichuan Province in the PRC and most of the Issuer Group's and the Guarantor Group's revenue is derived from the PRC. Accordingly, the Issuer Group's and the Guarantor Group's business operations and prospects are subject, to a significant degree, to the economic, political and legal developments in the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets, deleveraging the economy by reducing borrowing levels and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Issuer Group's and the Guarantor Group's business.

The Issuer Group's and the Guarantor Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). If the PRC's economic growth slows down or if the economy of the PRC experiences a recession, the Issuer Group's and the Guarantor Group's business and prospects may be materially and adversely affected. The Issuer Group's and the Guarantor Group's operations and financial results, as well as their ability to satisfy their respective obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

***The legal system in the PRC is continuously evolving and laws in the PRC may not be interpreted and enforced in a consistent manner***

The legal system in the PRC is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the businesses and prospects of the Issuer Group and the Guarantor Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of the laws in the PRC may be subject to policy changes, which reflect domestic political changes. As the legal system develops, the promulgation of new changes to existing laws and the pre-emption of local regulations by national laws may have an adverse effect on the Issuer Group's and Guarantor Group's businesses and financial conditions.

***The PRC government's control of foreign currency may limit the Issuer Group's and the Guarantor Group's foreign exchange transactions.***

Substantially all of the Issuer Group's and the Guarantor Group's revenue is denominated and settled in RMB, which is not currently a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC laws and regulations that affect exchange rates and foreign exchange transactions. Under the current PRC foreign exchange control system, foreign exchange transactions under the Issuer Group's and the Guarantor Group's current account do not require prior approval from SAFE, but the Issuer Group and the Guarantor Group are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks. Foreign exchange transactions under the capital account conducted by the Issuer Group and the Guarantor Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities, including the NDRC and the Ministry of Commerce of the People's Republic of China.



There can be no assurance that policies regarding foreign exchange transactions under current accounts or capital accounts will continue in the future. The PRC government may restrict future access to foreign currencies under current or capital account transactions at its discretion. A change in policy could restrict the Issuer Group's and the Guarantor Group's ability to obtain sufficient foreign currency, which could have an effect on the Issuer Group's and the Guarantor Group's ability to meet foreign exchange requirements. In addition, foreign exchange transactions under current accounts may no longer be freely convertible and could require the approval of the SAFE. Failure to obtain approval from the SAFE to convert Renminbi into any foreign currency for foreign exchange transactions could have an adverse effect on the Issuer Group's and the Guarantor Group's results of operations and financial condition. Moreover, if the Issuer Group or the Guarantor Group's was unable to obtain sufficient foreign currency, it might not be able to pay interest to the holders of the Bonds in foreign currencies.

***Any depreciation of the Renminbi may materially and adversely affect the Issuer Group's and the Guarantor Group's ability to fulfil their respective payment obligations under the Bonds.***

The Issuer Group and the Guarantor Group receive substantially all of its revenues in RMB, which currently is not a freely convertible currency. A portion of these revenues must be converted into other currencies to allow them to make payments on obligations denominated in currencies other than the RMB such as the Bonds.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. Since then, the PRC government has made, and may in the future make, further adjustments to the exchange rate system. The People's Bank of China ("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 PBOC surprised markets in August 2015 by thrice devaluing the Renminbi, lowering its daily mid-point trading price significantly against the U.S. dollar. The currency devaluation of the Renminbi was intended to bring it more in line with the market by taking market signals into account. The Renminbi depreciated significantly against the U.S. dollar following this August 2015 announcement by the PBOC and hit record lows since 2008 against the U.S. dollar in 2016. Following the gradual appreciation of Renminbi in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar following a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above 7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the U.S. dollar or other foreign currencies in the long-term. Any significant depreciation of the Renminbi may adversely affect the value of the Issuer Group's and the Guarantor Group's businesses. In addition, there are limited instruments available for the Issuer Group and the Guarantor Group to reduce their respective foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect the businesses, financial conditions and results of operations of the Issuer Group and the Guarantor Group.

***Investors may experience difficulties in effecting service of legal process and enforcing judgments against the Issuer, the Guarantor and their management.***

Substantially all of the Issuer Group's and the Guarantor Group's assets are located in the PRC, and all of the Issuer Group's and the Guarantor Group's operating income is derived from the Issuer Group's and the Guarantor Group's operations in the PRC. In addition, the Issuer's and the Guarantor's directors, supervisors and members of its senior management reside within the PRC, and the assets of the Issuer's and the Guarantor's directors and officers are located within the PRC. As a result, it may be difficult to effect service of process upon, or to enforce against, the Issuer, the Issuer Group, the Guarantor, the Guarantor Group or their directors or members of the Issuer's and the Guarantor's senior management who reside in the PRC in connection with judgments obtained in non-PRC courts. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements.

On 14 July 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "Arrangement"), which is still in full force and effect as at the date of this Information Memorandum and will be replaced by and become invalid when the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "New Arrangement"), which was signed on 18 January 2019, comes into effect. Pursuant to the New Arrangement, if the parties have already signed the choice of court agreement in writing under the Arrangement before the New Arrangement enter into force, the Arrangement shall still apply. Under the Arrangement, where any designated People's Court of the Mainland or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant People's Court of the Mainland or Hong Kong court for recognition and enforcement of the judgment. On 10 November 2023, the Hong Kong SAR Government announced the implementation of the "Mainland Civil and Commercial Judgments (Reciprocal Enforcement) Ordinance" (Chapter 645) and the "Mainland Civil and Commercial Judgments (Reciprocal Enforcement) Rules." Effective from 29 January 2024, the Ordinance operationalizes the New Arrangement, outlines procedures for registering Mainland civil and commercial judgments in Hong Kong, and applying to Hong Kong courts for certified copies and certificates of Hong Kong civil and commercial judgments, thereby facilitating parties in seeking recognition and compulsory enforcement of these judgments in Mainland China. On 25 January 2024, the SPC issued the Arrangement of the Supreme People's Court on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and Hong Kong (Fa Shi [2024] No. 2) (最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排)(法釋[2024]2號), effective as of 29 January 2024, announcing the abolition of the Arrangement and confirming that judgments given by Hong Kong or Mainland courts from 29 January 2024 and onwards in cases covered by the New Arrangement shall be subject to the mechanism stipulated in the New Arrangement.

***Inflation in the PRC could materially and adversely affect the Issuer Group's and the Guarantor Group's profitability and growth.***

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for the Issuer Group's and the Guarantor Group's products and services rise at a rate that is insufficient to compensate for the rise in the Issuer Group's and the Guarantor Group's costs, the Issuer Group's and the Guarantor Group's business may be materially and adversely affected. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect the Issuer Group's and the Guarantor Group's business and prospects.

***The payment of dividends by the Issuer's subsidiaries and associates in the PRC is subject to restrictions under PRC laws.***

PRC laws require that dividends be paid only out of net profit, calculated according to PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, PRC laws require enterprises to set aside part of their net profit as statutory reserves before distributing the net profit for a current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Issuer's operations and to service its indebtedness partly depends upon dividends received from its subsidiaries and associates, any legal restrictions on the availability and usage of dividend payments from the Issuer's subsidiaries and associates may impact the Issuer's ability to fund its operations and to service its indebtedness.

***The implementation of PRC employment regulations may increase labour costs in the PRC generally.***

The Labour Contract Law of the People's Republic of China (中華人民共和國勞動合同法) became effective on 1 January 2008 and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, an employer is required to make a payment, to a fixed-term contract employee when the term of their employment contract expires, equal to the employee's monthly salary multiplied by the number of full years that the employee has worked for the employer, unless the employee does not agree to renew the contract on terms the same as or better than those in the current employment contract. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employees (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閒綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Issuer Group's and the Guarantor Group's labour costs (inclusive of those incurred by contractors) may increase. Furthermore, under the PRC Labour Contract Law, not only must an employer compensate a terminated employee based on their length of service as described above, but in addition the employer may not be able to efficiently terminate non-fixed-term employment contracts without cause. In the event the Issuer Group or the Guarantor Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Issuer Group or the Guarantor Group desires, which could result in an adverse impact on the Issuer Group's or the Guarantor Group's business, financial condition and results of operations.

Further, in the event that there is a labour shortage or a significant increase to labour costs, the Issuer Group's and the Guarantor Group's business operation costs are likely to increase. In such circumstances, its profit margin may decrease and its financial results may be adversely affected. In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of raw materials required by the Issuer Group or the Guarantor Group for conducting its business and the costs of labour as well. Rising labour costs may increase the Issuer Group's or the Guarantor Group's operating costs and partially erode the cost advantage of the Issuer Group's or the Guarantor Group's operations and therefore negatively impact the Issuer Group's or the Guarantor Group's profitability.

***Certain facts and statistics derived from government and third-party sources contained in this Information Memorandum may not be reliable.***

Each of the Issuer Group and the Guarantor Group has derived certain facts and other statistics in this Information Memorandum, particularly those relating to the PRC, the PRC economy and the industry in which the Issuer Group and the Guarantor Group operate, from information provided by the PRC government agencies, industry associations, independent research institutes or other third-party sources. While each of the Issuer Group and the Guarantor Group has taken reasonable care in the reproduction of such information, it has not been independently verified by the Issuer Group or the Guarantor Group, the underwriters or any of the Issuer Group's, and the Guarantor Group's or their respective affiliates or advisers and, therefore, the Issuer Group and the Guarantor Group cannot assure investors as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside the PRC. The facts and other statistics include the facts and statistics included in this section and the section entitled "Description of the Issuer Group" and "Description of the Guarantor Group". Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economics and investors should not place undue reliance on them. Furthermore, the Issuer Group and the Guarantor Group cannot assure that the information is stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should consider carefully how much weight or importance investors should attach to, or place on, such facts or statistics.

## RISKS RELATING TO THE BONDS AND THE GUARANTEE

*Any failure to complete the relevant filings under the NDRC Administrative Measures and the relevant registration under SAFE within the prescribed timeframe following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.*

The NDRC issued the NDRC Administrative Measures on 5 January 2023, which came into effect on 10 February 2023 and is supplemented and amended by other applicable implementation rules, regulations, certificates, circulars, notices or policies thereof as issued by the NDRC from time to time. According to the NDRC Administrative Measures, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued, with a maturity term of one year or longer, outside the PRC with the NDRC prior to the issue of the securities and submit the information report within 10 working days after the completion of the issue of the securities, file with NDRC the requisite information and documents of the relevant issues through the network system within 10 working days after both the completion of the issue of the securities and the expiration date of the examination registration certificate (審核登記證明) obtained from the NDRC. In addition, so long as any of such securities issued remain outstanding, such enterprise should file with the NDRC the requisite information and documents through the network system periodically and upon the occurrence of any material event that may affect the due performance of its obligations under the securities issued. The Issuer has obtained the NDRC pre-issuance registration certificate pursuant to the NDRC Administrative Measures and the Issuer confirms that such NDRC pre-issuance registration certificate remains valid and effective pursuant to the NDRC Administrative Measures as at the date of this Information Memorandum.

However, the NDRC Administrative Measures has been issued quite recently, and it may be subject to further changes upon the issuance of further clarification rules or interpretation by competent authorities. There is uncertainty as to the application of the NDRC Administrative Measures. For example, while the NDRC Administrative Measures has set out the legal consequences for debtors and professional parties in cases of non-compliance of the NDRC Administrative Measures, the NDRC Administrative Measures is silent on whether any such non-compliance would affect the validity and enforceability of the Bonds. There is no assurance that failure to comply with the NDRC Administrative Measures would not result in adverse consequences on the Issuer's ability to perform its obligations under any of the Bonds, the Trust Deed or in accordance with the Terms and Conditions or on the validity and enforceability of the Bonds. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

In accordance with the Administrative Measures for Foreign Debt Registration (《外債登記管理辦法》) (the “**Foreign Debt Registration Measures**”) issued by SAFE on 28 April 2013, which came into effect on 13 May 2013 and was amended on 4 May 2015, an issuer of foreign debts shall complete the foreign debt registration in respect of its issue of foreign debts with the local branch of SAFE in accordance with applicable laws and regulations. According to the Operation Guidelines for Administration of Foreign Debt Registration (《外債登記管理操作指引》) promulgated together with the Foreign Debt Registration Measures, the Issuer is required to register its foreign debt issue within the prescribed timeframe after the Issue Date and to use its best endeavours to complete such registration in accordance with the Foreign Debt Registration Measures.

In accordance with the Circular of the People's Bank of China on Implementing Overall Macro Prudential Management System for Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) promulgated by PBOC on 11 January 2017, its operating guidelines and the guidance of local branch of SAFE (the "PBOC Notice"), the Issuer is required to register its foreign debt issue with the local branch of SAFE after signing of Transaction Documents but not later than three working days before withdrawing the proceeds, and to use its best endeavours to complete such registration in accordance with the PBOC Notice.

If the Issuer, in the unlikely event, fails to complete such registration within the abovementioned timeframe after having exercised its best endeavours, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC.

***The Guarantor's obligations under the Guarantee will be structurally subordinated to all existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries, and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.***

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor is a creditor of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

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

***The PRC government shall under no circumstances have any obligation arising out of or in connection with the Bonds or the transaction documents in relation to the Bonds which are solely to be fulfilled by the Issuer.***

The Issuer is beneficially owned by the Xichang Finance Bureau. Similar to other companies beneficially controlled by the PRC government, the Company may be generally perceived to have access to liquidity support from its beneficial controlling shareholder in light of its ownership structure and the nature of its beneficial controlling shareholder, particularly in the event that the Issuer Group becomes financially distressed. However, the PRC government is not an obligor and Bondholders shall have no recourse to the PRC government in respect of any obligation arising out of or in connection with the Bonds in lieu of the Issuer. This position has been reinforced by Circular 23, Circular 706 and Circular 666. Any ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the Issuer's financial condition.

The PRC government has no payment or other obligation under the Bonds or the transaction documents relating to the Bonds. Investments in the Bonds are on the credit risk of the Issuer rather than that of the PRC government. The Bonds are solely to be repaid by the Issuer as an obligor and the obligations of the Issuer under the Bonds shall solely be fulfilled by the Issuer as an independent legal person. In the event that the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its assets, and not any other person, including the PRC government and any other local or municipal government. The Bondholders shall have no recourse to the PRC government or any other local or municipal government in respect of any obligation arising out of or in connection with the Bonds and the transaction documents relating to the Bonds. As Circular 23, Circular 706 and Circular 666 are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties.

Potential investors should base their investment decision only on the financial condition of the Issuer and base any perceived credit risk associated with an investment in the Bonds only on the Issuer's own financial information reflected in its financial statements.

***The Bonds may not be a suitable investment for all investors.***

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

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

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

***The Bonds and the Guarantee are unsecured obligations.***

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

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

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

***An active trading market for the Bonds may not develop.***

The Bonds are a new issue of securities for which there is currently no trading market. Although application will be made for the listing of the Bonds on the MOX, no assurance can be given that such application will be approved, or even if the Bonds become so listed, an active trading market for the Bonds will develop or be sustained. No assurance can be given as to the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds or that a liquid market will develop, or that the Bonds will be able to obtain or maintain a listing on the MOX. The liquidity of the Bonds will be adversely affected if the Bonds are held or allocated to limited investors. None of the Placing Agents is obligated to make a market in the Bonds, and if the Placing Agents do so, they may discontinue such market making activity at any time at their sole discretion.

In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their 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. It is the obligation of investors to ensure that offers and sales of the Bonds within relevant countries comply with applicable securities laws. Please see "*Placement and Sale*". The Issuer cannot predict whether an active trading market for the Bonds will develop or be sustained.



***Changes in market interest rates may adversely affect the value of the Bonds.***

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

***Investors in the Bonds may be subject to foreign exchange risks.***

The value of the U.S. dollar against the Renminbi and other foreign currencies fluctuates and is affected by changes in the United States and international political and economic conditions and by many other factors. All payments of interest and principal with respect to the Bonds will be made in U.S. dollars. As a result, the value of these U.S. dollar payments may vary with the prevailing exchange rates in the marketplace. If the value of the U.S. dollar depreciates against the Renminbi or other foreign currencies, the value of a Bondholder's investment in Renminbi or other applicable foreign currency terms will decline.

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

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

***International financial markets and world economic conditions may adversely affect the market price of the Bonds.***

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including the PRC. Since the global financial crisis in 2008 and 2009, the international financial markets have experienced significant volatility. In December 2016, the U.S. Federal Reserve raised interest rates for the first time in a year, and the second time since the 2008 financial crisis. The U.S. Federal Reserve further raised interest rates three times in 2017 and four times in 2018 but lowered them three times in 2019 and twice in 2020 as a result of the impact of the COVID-19 pandemic on the American economy. However, the U.S. raised interest rates multiple times in 2022 and intends to continue raising interest rates to rein in inflation in 2023. Such fluctuations may increase the uncertainties relating to the prices of RMB denominated bonds. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

***The Issuer Group or the Guarantor Group may be unable to redeem the Bonds.***

On certain dates, including but not limited to the occurrence of a Relevant Event and at maturity of the Bonds, the Issuer Group may, and at maturity will, be required to redeem all of the Bonds. If such an event were to occur, the Issuer Group may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to redeem the Bonds by the Issuer Group, in such circumstances, would constitute an Event of Default under the Bonds, which may also constitute a default under the terms of other indebtedness of the Issuer Group or its subsidiaries. There is also no assurance that the Issuer or the Guarantor would have sufficient liquidity at such time to make the required redemption of the Bonds. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Guarantor's failure to repay, repurchase or redeem the relevant Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Issuer Group's, the Guarantor's or the Guarantor Group's other indebtedness.

***The Guarantor's obligations under the Guarantee will be structurally subordinated to all existing and future indebtedness and other liabilities of each of the Guarantor's existing and future subsidiaries, and effectively subordinated to the Guarantor's secured debt to the extent of the value of the collateral securing such indebtedness.***

The Guarantee will be structurally subordinated to any debt and other liabilities and commitments, including trade payables and lease obligations, of the Guarantor's existing and future subsidiaries, whether or not secured. The Guarantor's obligations under the Guarantee will not be guaranteed by any of the Guarantor's subsidiaries, and the Guarantor's ability to make payments under the Guarantee depends partly on the receipt of dividends, distributions, interest or advances from its subsidiaries. The ability of such subsidiaries to pay dividends to the Guarantor is subject to various restrictions under applicable laws. The Guarantor's subsidiaries are separate legal entities that have no obligation to pay any amounts due under the Guarantee or make any funds available therefor, whether by dividends, loans or other payments. The Guarantor's right to receive assets of any of the Guarantor's subsidiaries, upon that subsidiary's liquidation or reorganisation, will be effectively subordinated to the claim of that subsidiary's creditors (except to the extent that the Guarantor is a creditor of that subsidiary). Consequently, the Guarantee will be effectively subordinated to all liabilities, including trade payables and lease obligations, of any of the Guarantor's subsidiaries and any subsidiaries that the Guarantor may in the future acquire or establish. The outstanding indebtedness of the subsidiaries of the Guarantor may also contain covenants restricting the ability of such subsidiaries to pay dividends in certain circumstances for so long as such indebtedness remains outstanding. Moreover, the Guarantor's percentage interests in its subsidiaries and joint ventures could be reduced in the future.

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

***The Bonds will be structurally subordinated to the existing and future indebtedness and other liabilities of the Issuer Group's existing and future subsidiaries and effectively subordinated to the Issuer's secured debt to the extent of the value of the collateral securing such indebtedness.***

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

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

***The insolvency laws of the PRC may differ from those of another jurisdiction with which the holders of the Bonds are familiar.***

The Issuer and the Guarantor are incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer or the Guarantor would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

***If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in its debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the Issuer's or the Guarantor's debt to be accelerated.***

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements of the Issuer or the Guarantor contain cross acceleration or cross default provisions. As a result, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the Issuer's or the Guarantor's assets and cash flows would be sufficient to repay in full all of the Issuer's or the Guarantor's indebtedness, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

***A change in English law which governs the Bonds may adversely affect holders of the Bonds.***

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

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

The Terms and Conditions and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Choice of Court Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts.

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

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

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

The Terms and Conditions provide that the Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of the Terms and Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee which, in its opinion, is not materially prejudicial to the interest of the Bondholders, or (ii) any modification which, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer or the Guarantor as soon as practicable thereafter in accordance with Condition 15 of the Terms and Conditions.

***If the Guarantor fails to complete the SAFE registration in connection with the Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.***

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014. Although non-registration with SAFE does not render the Guarantee ineffective or invalid under the PRC laws, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. As a result, we cannot assure you that the Guarantor can remit money outside of the PRC to comply with its obligations under the Deed of Guarantee.

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

In certain circumstances (including without limitation the taking of any action and/or step and/or instituting any proceeding pursuant to Condition 12 of the Terms and Conditions), the Trustee may (in its sole discretion) request the Bondholders to provide an indemnity and/or security and/or pre-funding to its satisfaction before it takes any action and/or step and/or institutes any proceeding on behalf of Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to any indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or to institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Terms and Conditions or the Trust Deed (as defined in the Terms and Conditions) and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions and/or steps and/or to institute such proceedings directly.

***Interest payable by the Issuer to overseas Bondholders and gains on the transfer of the Bonds may be subject to income tax and value-added tax under PRC tax laws.***

Under the Enterprise Income Tax Law of the PRC (the “**EIT Law**”) which took effect on 1 January 2008 and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are regarded as derived from sources within the PRC, such gains may also be subject to PRC income tax. The 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “**Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “**IIT Law**”) which took effect on 30 June 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As each of the Issuer and the Guarantor is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

On 23 March 2016, the MOF and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform (Caishui [2016] No.36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)) (“**Circular 36**”), which introduced a new value-added tax (“**VAT**”) from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. Pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), the Interim Provisions on the Collection of Educational Surcharges (徵收教育費附加的暫行規定(2011修訂)), city maintenance and construction tax, educational surcharges and local educational surcharges will be applicable when the entities and individuals are obliged to pay VAT. The Issuer or the Guarantor (as the case may be) will be obligated to withhold VAT of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer or the Guarantor (as the case may be) to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax on the interest or capital gains on the transfer of the Bonds, or is required to pay VAT on the capital gains on the transfer of the Bonds, the value of the relevant Bondholder’s investment in the Bonds may be materially and adversely affected.

***Stamp duties may also be imposed during the issuance and transfer of the Bonds.***

There are uncertainties regarding the interpretation and application of current and future PRC taxation related laws and regulations and there can be no assurance that the relevant PRC regulatory authorities will not take a view that is contrary to the opinion of the Issuer.

According to the Stamp Tax Law of the People's Republic of China (中華人民共和國印花稅法) promulgated by the Standing Committee of the National People's Congress of PRC on 10 June 2021, and implemented on 1 July 2022, enterprises or individuals which conclude or receive any of the instruments specified in Stamp Tax Law within the territory of PRC or to the extent that any such instruments concluded outside the territory of the PRC that are used inside PRC shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments. Issuance and transfer of debt instruments (other than loan contract entered into with a financial institution) will not be imposed upon stamp duty in accordance with PRC laws as at the effective date hereto. In addition, there can be no assurance that PRC laws will not be revised as to impose stamp duty upon the issuance or transfer of the Bonds or similar debt instrument. If the issuance or transfer of the Bonds is treated as the same as the entry into a loan contract, or conclusion or use of any other taxable instruments in the PRC, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) in respect of the issuance of the Bonds, or both the transferor and transferee (i.e. the investors transferring the Bonds) in respect of the transfer of the Bonds would be each subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable to the issuance or transfer of the Bonds (or such higher rate if local governments have other additional requirements). The Issuer undertakes that to the extent any PRC stamp duty is payable on initial issuance of the Bonds, it will bear such relevant PRC stamp duties for itself and the Bondholders.

The taxation authorities may impose a fine if a person subject to such PRC stamp duty is found to have failed to attach, or have attached insufficient number of stamps to a taxable instrument. The taxation authority, in addition to ordering such person to attach the appropriate number of stamps, may impose a fine according to Tax Collection Administration Law of the PRC (中華人民共和國稅收徵收管理法). Investors should further consult their own legal and tax advisors in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

***Bondholders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.***

In relation to any Bond which has a principal amount consisting of a minimum specified denomination plus a higher integral multiple of another smaller amount, it is possible that the Bonds may be traded in amounts in excess of the minimum specified denomination that are not integral multiples of such minimum specified denomination. In such a case a Bondholder who, as a result of trading such amounts, holds a principal amount of less than the minimum specified denomination will not receive a definitive certificate in respect of such holding (should definitive Bonds be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more specified denominations. If definitive Bonds are issued, holders should be aware that a definitive certificate which has a principal amount that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

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

There can be no assurance as to whether or not payments on the Bonds may be made without withholding taxes or deductions applying from the Issue Date on account of any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any subdivision or authority therein or thereof having power to tax. Although pursuant to the Terms and Conditions, the Issuer is required to gross up payments on account of any such withholding taxes or deductions (whether by way of EIT, business tax, VAT or otherwise), the Issuer also has the right to redeem the Bonds at any time, subject to the Terms and Conditions, in the



event (i) it has or will become obliged to pay additional tax amounts on account of a withholding or deduction by or within the PRC as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority therein or thereof having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 11 December 2024, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

If the Issuer redeems the Bonds prior to their maturity dates, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

***The Issuer Group may issue additional Bonds in the future.***

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

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

The Bonds will be represented by beneficial interests in a Global Certificate. Such Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream (the “**Clearing Systems**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive certificates. The Clearing Systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificate, the Issuer, or failing which, the Guarantor, will discharge its payment obligations under the Bonds by making payments to the relevant Clearing System for distribution to their accountholders. A holder of a beneficial interest in a Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the Bonds. None of the Issuer, the Guarantor, the Trustee, the Agents or any of their respective directors, officers, agents, employees, affiliates, representatives or advisers or any person who controls any of them has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

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

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

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

## TERMS AND CONDITIONS OF THE BONDS

*The following (subject to modification and except for the paragraphs in italics) is the text of the Conditions (as defined below) of the Bonds (as defined below) which will be endorsed on the definitive Certificates (as defined below) and referred to in the Global Certificate (as defined below).*

The issue of U.S.\$100,000,000 7.00 per cent. guaranteed bonds due 2027 (the “**Bonds**”), which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 14 and to be consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of Xichang Haihe Cultural Tourism Investment Development Co., Ltd. (西昌海河文旅投資發展有限公司) (the “**Issuer**”) passed on 29 August 2023 and a resolution of the shareholder of the Issuer passed on 12 October 2024. The guarantee of the Bonds was authorised by a resolution of the Audit and Risk Control Committee of Sichuan Development Financing Guarantee Co., Ltd. (四川發展融資擔保股份有限公司) (the “**Guarantor**”) passed on 06 December 2024. The Bonds are constituted by a trust deed (as amended, restated, replaced and/or supplemented from time to time, the “**Trust Deed**”) dated on or about 13 December 2024 (the “**Issue Date**”) made between the Issuer, the Guarantor and The Bank of New York Mellon, London Branch (the “**Trustee**”, which expression shall include its successor(s) and all persons for the time being the trustee or trustees appointed under the Trust Deed) as trustee for itself and the Holders (as defined below). The Bonds have the benefit of a deed of guarantee (as amended, restated, replaced and/or supplemented from time to time, the “**Deed of Guarantee**”) dated on or about 13 December 2024 between the Guarantor and the Trustee relating to the Bonds. The Bonds are the subject of an agency agreement (as amended, restated, replaced and/or supplemented from time to time, the “**Agency Agreement**”) dated on or about 13 December 2024 made between the Issuer, the Guarantor, the Trustee, The Bank of New York Mellon, London Branch as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), The Bank of New York Mellon SA/NV, Dublin Branch as registrar (the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds) and any other Agents (as defined below) appointed thereunder. References herein to “**Paying Agents**” means any paying agent or agents appointed from time to time with respect to the Bonds and includes the Principal Paying Agent and any successor or additional paying agents appointed from time to time in connection with the Bonds, and “**Agents**” or “**Agent**” means the Principal Paying Agent, the Registrar, the Transfer Agent, the Paying Agents and/or any other agent or agents appointed from time to time under the Agency Agreement with respect to the Bonds.

Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement (i) are available for inspection by Holders (as defined below) at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at the principal office for the time being of the Trustee, being at the Issue Date at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom and at the specified office of the Principal Paying Agent, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent or (ii) may be provided by email to any Holder following written request and proof of holding and identity to the satisfaction of the Principal Paying Agent.

The Bondholders (as defined below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions of the Agency Agreement applicable to them. The statements in these terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

## **1 Form, Denomination, Status, Guarantee and Title**

- (a) *Form and denomination:* The Bonds are issued in registered form in the specified denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Bonds are represented by registered certificates (the “**Certificates**” and each a “**Certificate**”) and, save as provided in Condition 2(b), each Certificate shall represent the entire holding of Bonds by the same holder.
- (b) *Status of the Bonds:* The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 3(a)) unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves and at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (c) *Guarantee of the Bonds:* The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums from time to time expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in respect of the Bonds (the “**Guarantee**”) are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 3(a), constitute direct, unsubordinated, unconditional and unsecured obligations of the Guarantor which shall at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor.
- (d) *Title:* Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Bond shall be deemed to be and shall be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) evidencing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, “**Bondholder**” or (in relation to a Bond) “**Holder**” means the person in whose name a Bond is for the time being registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Bonds will be evidenced by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A.. The Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are evidenced by the Global Certificate.*

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

## **2 Register and Transfers**

- (a) *Register*: The Issuer will cause the register (the “**Register**”) of Bondholders to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the Holders 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) *Transfers*: Subject to the Agency Agreement and Condition 2(e) and Condition 2(f) below, a Bond may be transferred by surrendering the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. In the case of a transfer of only part of a holding of Bonds evidenced by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a Holder, a new Certificate evidencing the enlarged holding shall only be issued against surrender of the Certificate evidencing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register. A Bond may not be transferred unless the principal amount of such Bonds to be transferred and (where not all of the Bonds held by a Holder are being transferred) the principal amount of the balance of such Bonds not being transferred are equal to or more than the minimum specified denomination.

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

- (c) *Delivery of New Certificates*: Each new Certificate to be issued upon transfer of Bonds pursuant to Condition 2(b) shall be made available for delivery within seven business days of receipt of a duly completed form of transfer, surrender of the existing Certificate(s) and provision of any other evidence required by the Registrar or the relevant Transfer Agent as provided in Condition 2(b). Delivery of the new Certificate(s) shall be made at the specified office of the relevant Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(c), “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

- (d) *No charge*: Registration of transfer of a Bond will be effected without charge by or on behalf of the Issuer or any Agent but upon (i) payment (or the giving of such indemnity and/or security and/or pre-funding as the Issuer or any Agent may require) in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer; (ii) the Registrar or the Transfer Agent (as the case may be) being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the Registrar or the Transfer Agent (as the case may be) being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (e) *Closed periods*: Bondholders may not require transfers of the Bonds to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal or interest in respect of the Bonds, (ii) during the period of 15 days ending on (and including) any date on which Bonds may be called for redemption by the Issuer at its option pursuant to Condition 5(b), or (iii) after a Put Exercise Notice (as defined in Condition 5(c)) has been delivered in respect of the relevant Bonds in accordance with Condition 5(c).
- (f) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning the transfer and registration of Bonds, the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection to the Holders by the Registrar to any Holder at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) following prior written request and proof of holding and identity to the satisfaction of the Registrar.

### **3 Covenants**

- (a) *Negative Pledge*: So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and the Issuer and the Guarantor will ensure that none of their respective Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

- (b) *Undertakings relating to NDRC Post-issue Filing:* The Issuer undertakes to (i) file or cause to be filed with the NDRC within ten PRC Business Days after the Issue Date (as defined in Condition 4) the requisite information and documents in respect of the Bonds (the “**NDRC Post-issue Filing**”) in accordance with the Administrative Measures for the Review and Registration of Medium- and Long- Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法) (the “**NDRC Administrative Measures**”) issued by the NDRC and which came into effect on 10 February 2023, (ii) file or cause to be filed with the NDRC other requisite information and documents in connection with the Bonds from time to time within the relevant prescribed timeframes in accordance with the NDRC Administrative Measures and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time. The Issuer shall complete the NDRC Post-issue Filing and provide such document(s) evidencing due filing with the NDRC within the prescribed timeframe and shall comply with all applicable PRC laws and regulations in connection with the Bonds.
- (c) *Foreign Debt Registration:* The Issuer undertakes that it will (i) within the prescribed timeframe after the Issue Date, submit or cause to be submitted an application for registration of the Bonds with SAFE pursuant to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) and its operating guidelines, effective as of 13 May 2013 and amended on 4 May 2015, and if applicable, the Circular of the People’s Bank of China on Issues Concerning the Overall Macro Prudential Management System for Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) issued by the People’s Bank of China which came into effect on 12 January 2017 (the “**Foreign Debt Registration**”), (ii) complete the Foreign Debt Registration and obtain a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and (iii) comply with all applicable PRC laws and regulations in relation to the Bonds.
- (d) *Notification of Completion of the NDRC Post-issue Filing and the Foreign Debt Registration:* The Issuer shall:
- (i) within ten Registration Business Days after the submission of the NDRC Post-issue Filing, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory (as defined in the Trust Deed) of the Issuer confirming the completion of the NDRC Post-issue Filing; and (ii) copies of the relevant documents evidencing the completion of the NDRC Post-issue Filing (if any), each certified in English by an Authorised Signatory of the Issuer as being a true and complete copy of the original (the items specified in (i) and (ii) of this Condition 3(d)(i) together, the “**NDRC Registration Documents**”). In addition, the Issuer shall, within ten Registration Business Days after the NDRC Registration Documents are provided to the Trustee, give notice substantially in the form set out in the Trust Deed to the Bondholders (in accordance with Condition 15) confirming the completion of the NDRC Post-issue Filing; and

- (ii) on or before the Registration Deadline and within 15 Registration Business Days after receipt of the registration certificate or filing evidence (or any other document evidencing the completion of the Foreign Debt Registration) from SAFE, provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Issuer confirming the completion of the Foreign Debt Registration; and (ii) copies of the relevant documents evidencing the completion of the Foreign Debt Registration, each certified in English by an Authorised Signatory of the Issuer as being a true and complete copy of the original (the items specified in (i) and (ii) of this Condition 3(d)(ii) together, the “**SAFE Registration Documents**” and together with the NDRC Registration Documents, the “**Registration Documents**”). In addition, the Issuer shall, within ten Registration Business Days after the SAFE Registration Documents are provided to the Trustee, give notice substantially in the form set out in the Trust Deed to the Bondholders (in accordance with Condition 15) confirming the completion of the Foreign Debt Registration.

The Trustee may rely conclusively without investigation on the Registration Documents and shall have no obligation or duty (A) to monitor, assist with or ensure the filing or registration of the Bonds with the NDRC and SAFE is completed as required by Condition 3(b) and Condition 3(c), or (B) to assist with the Foreign Debt Registration and the NDRC Post-issue Filing, or (C) to verify the accuracy, completeness, content, validity and/or genuineness of any certificates, confirmations, information or documents in relation to or in connection with the Foreign Debt Registration, the NDRC Post-issue Filing and/or the Registration Documents, or (D) to procure that any Registration Document or any other certificate, confirmation, information or document not in English is translated into English or, if any English translation of any document is provided or retained, to verify the accuracy of any English translation of any Registration Document or any other certificate, confirmation, information or document, or (E) to give notice to the Bondholders confirming the completion of the Foreign Debt Registration and the NDRC Post-issue Filing, and the Trustee shall not be liable to the Bondholders or any other person for not doing so.

- (e) *Financial Statements etc.*: So long as any Bond remains outstanding, each of the Issuer and the Guarantor shall provide to the Trustee with:
  - (i) a Compliance Certificate (on which the Trustee may rely as to such compliance) within 14 days of a written request by the Trustee and at the same time of provision of the Audited Financial Reports;
  - (ii) a copy of the relevant Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants of good repute); and
  - (iii) a copy of the relevant Unaudited Financial Report within 90 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by a nationally or internationally recognised firm of independent accountants of good repute).

Reports and accounts referred to in this Condition 3(e) which are not in the English language shall be provided to the Trustee together with an English translation of the same translated by (A) a nationally or internationally recognised firm of independent accountants of good repute, (B) a professional translation service provider and checked by a nationally or internationally recognised firm of independent accountants of good repute, together in each case with a certificate in English signed by an Authorised Signatory of the Issuer or the Guarantor, as the case may be, certifying that such translation is complete and accurate.

The Trustee shall not be required to review the relevant Audited Financial Reports, Unaudited Financial Reports or any other financial report furnished or delivered to it as contemplated in this Condition 3(e) and, if the same shall not be in the English language, shall not be required to request or obtain or arrange for an English language translation of the same, and the Trustee shall not be liable to any Bondholder or any other person for not doing so.

In these Conditions:

**“Audited Financial Reports”** means the annual audited consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in owners’ equity of the Issuer or the Guarantor, as the case may be, under PRC GAAP together with any statements, reports (including any directors’ and auditors’ reports, if any) and notes attached to or intended to be read with any of them;

**“Compliance Certificate”** means a certificate (substantially in the form scheduled to the Trust Deed) of each of the Issuer and the Guarantor, as the case may be, signed by their respective Authorised Signatories certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Guarantor, as the case may be, as at a date (the **“Certification Date”**) not more than five days before the date of the certificate:

- (a) no Change of Control, Event of Default or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8, become an Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (b) the Issuer or the Guarantor, as the case may be, has complied with all its covenants and obligations under the Bonds, Trust Deed and the Deed of Guarantee, as applicable, or, if such non-compliance has occurred, giving details of it;

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

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

**“PBOC”** means the People’s Bank of China or its competent local branches;

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



“**PRC Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in the PRC;

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

“**Registration Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are open for business in Beijing;

“**Registration Deadline**” means the day falling 90 Registration Business Days after the Issue Date;

“**Relevant Indebtedness**” means any indebtedness issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (which, for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“**Relevant Period**” means, (i) in relation to each of the Audited Financial Reports and the annual Compliance Certificate of the Issuer or the Guarantor, as the case may be, each period of 12 months ending on the last day of the financial year (being 31 December of that financial year); and (ii) in relation to each of the Unaudited Financial Reports of the Issuer or the Guarantor, as the case may be, each period of 6 months ending on the last day of the first half financial year (being 30 June of that financial year);

“**SAFE**” means the State Administration of Foreign Exchange or its competent local branches;

a “**Subsidiary**” of any person means (i) 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 elect directors, managers or trustees of such company or other business entity, or (ii) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

“**Unaudited Financial Statements**” means the semi-annual unaudited and unreviewed consolidated balance sheet, consolidated income statement, consolidated statement of cash flows and consolidated statement of changes in shareholders’ equity of the Issuer or the Guarantor, as the case may be, under PRC GAAP.

#### 4 Interest

The Bonds bear interest on their outstanding principal amount from and including 13 December 2024 (the “**Issue Date**”) at the rate of 7.00 per cent. per annum, (the “**Rate of Interest**”) payable semi-annually in arrear in equal instalments of U.S.\$35.00 per Calculation Amount (as defined below) on 13 June and 13 December in each year (each, an “**Interest Payment Date**”), commencing on 13 June 2025.

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed. In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Each Bond will cease to bear interest from and including the due date for redemption unless, upon surrender of the Certificate evidencing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event, it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

Interest in respect of any Bond shall be calculated per U.S.\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, 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).

*For so long as the Bonds are evidenced by a Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, the interest payable in respect of the Bonds shall be calculated based on the aggregate principal amount of the Bonds evidenced by the Global Certificate.*

## **5 Redemption and Purchase**

- (a) *Final redemption:* Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 13 December 2027 (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 5.
- (b) *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 in accordance with Condition 15 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with any unpaid interest accrued up to (but excluding) the date fixed for redemption, if, immediately before giving such notice, the Issuer (or, if the Guarantee is called, the Guarantor) satisfies the Trustee that:
  - (i) the Issuer (or, if the Guarantee is called, the Guarantor) has or will become obliged to pay Additional Amounts (as defined in Condition 7) as provided or referred to in Condition 7 as a result of any change in, or amendment to, the laws or regulations of 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 December 2024; and

- (ii) such obligation cannot be avoided by the Issuer or the Guarantor (as the case may be) taking reasonable measures available to it;

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

Prior to the giving of any notice of redemption pursuant to this Condition 5(b), the Issuer (or, if the Guarantee is called, the Guarantor) shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate in English signed by an Authorised Signatory of the Issuer or the Guarantor, as the case may be, stating that the Issuer or the Guarantor, as the case may be, is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

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

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 5(b).

- (c) *Redemption for Relevant Events*: At any time following the occurrence of a Relevant Event, each Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with any unpaid interest accrued up to (but excluding) such Put Settlement Date. To exercise such right, the Bondholder must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to the Bondholders by the Issuer in accordance with Condition 15.

The "**Put Settlement Date**" referred to in this Condition 5(c) shall be the 14th day after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds which are the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice to Bondholders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days following the first day on which the Issuer becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by Bondholders of their rights to require redemption of the Bonds pursuant to this Condition 5(c) and shall specify the Put Settlement Date.

None of the Trustee or any of the Agents shall be required to monitor or to 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 none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Registration Conditions, and none of them shall be liable to the Holders, the Issuer, the Guarantor or any other person for not doing so.

*For so long as the Bonds are evidenced by a Global Certificate and the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, a holder's right to redemption of the Bonds due to the occurrence of a Relevant Event will be effected in accordance with the rules and procedures for the time being of the relevant clearing system(s).*

In this Condition 5(c):

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

- (i) the Xichang Finance Bureau (西昌市財政局) and any other Person directly or indirectly Controlled by the central government of the PRC and its provincial, municipal and local counterparts (together, the “**PRC Government Persons**”), together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Issuer; or
- (ii) the Sichuan Provincial Department of Finance (四川省財政廳), the State-owned Assets Supervision and Administration Commission of Sichuan Provincial Government (四川省政府國有資產監督管理委員會), the CDB Development Fund Co., Ltd. (國開發展基金有限公司) and any other PRC Government Persons, together cease to directly or indirectly hold or own 100 per cent. of the issued share capital of the Guarantor ; or
- (iii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, except where such person(s) (in the case of an asset sale or transfer) or the surviving entity (in the case of a consolidation or merger) is/are directly or indirectly Controlled by the PRC Government Persons; or
- (iv) the Guarantor consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, except where such person(s) (in the case of an asset sale or transfer) or the surviving entity (in the case of a consolidation or merger) is/are directly or indirectly Controlled by the PRC Government Persons.

“**Control**” means with respect to a Person (where applicable): (i) the ownership or control of 100 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 nominate or designate 100 per cent. of the members then in office of such Person’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise; or (iii) the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person. For the avoidance of doubt, a Person is deemed to Control another Person so long as it fulfils one of the three foregoing requirements and the terms “**Controlling**” and “**Controlled**” have meanings correlative to the foregoing;

a “**No Registration Event**” occurs when the Registration Conditions have not been satisfied in full on or before the Registration Deadline;

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents in accordance with Condition 3(d); and

a “**Relevant Event**” will be deemed to occur if:

- (i) there is a No Registration Event; or
  - (ii) there is a Change of Control.
- (d) *No other redemption*: The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in Conditions 5(a) to 5(c) above.
- (e) *Purchase*: The Issuer, the Guarantor or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 8, 11 and 12.
- (f) *Notice of redemption*: All Bonds in respect of which any notice of redemption is given under this Condition 5 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 5. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 5(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 5(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail. Neither the Trustee nor any of the Agents shall be responsible or liable for calculating or verifying any calculations of any amounts payable under any notice of redemption (which shall include any notice given by the Issuer pursuant to Condition 5(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 5(c)) or shall have any duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and none of them shall be liable to Holders, the Issuer, the Guarantor or any other person for not doing so.

- (g) *Cancellation*: All Bonds so redeemed or purchased by or on behalf of the Issuer, the Guarantor or their respective Subsidiaries shall be cancelled and shall not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.
- (h) *No duty to monitor*: The Trustee shall not be obliged to take any steps to ascertain whether a Relevant Event, Potential Event of Default (as defined in the Trust Deed) or Event of Default has occurred or to monitor the occurrence of any Relevant Event, Potential Event of Default or Event of Default, and shall not be liable to the Bondholders or any other person for not doing so.
- (i) *Calculations*: None of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto and shall not be liable to the Bondholders or any other person for not doing so.

## 6 Payments

### (a) *Method of Payment*:

- (i) Payments of principal, premium (if any) and interest shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 6(a)(ii) below.
- (ii) Interest on each Bond shall be paid on the due date therefor to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in U.S. dollar by wire transfer to such registered account of the Holder (or to the first named of joint Holders) of such Bond. In this Condition 6, the “**registered account**” of a Holder means an account in U.S. dollar maintained by or on behalf of such Holder with a bank, details of which appear in the Register.
- (iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

- (b) *Payments subject to Fiscal Laws:* All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (c) *Payment Initiation:* Where payment is to be made by wire transfer to a registered account in U.S. dollar, payment instructions (for value on the due date, or, if the due date is not a Payment Business Day, for value on the next succeeding Payment Business Day) will be initiated on the due date for payment. A Holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day.
- (d) *Appointment of Agents:* The Agents act solely as agents of the Issuer and the Guarantor and (to the extent provided in the Agency Agreement) the Trustee do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer or the Guarantor (as the case may be) to the Bondholders in accordance with Condition 15.

- (e) *Non-Payment Business Days:* If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 6, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, New York City and London.

## 7 **Taxation**

All payments of principal, premium (if any) and interest in respect of the Bonds by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC or any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

Where such withholding or deduction is required to be made by the Issuer or the Guarantor, as the case may be, by or within the PRC at the rate of up to and including the aggregate rate applicable on 11 December 2024 (the “**Applicable Rate**”), the Issuer or the Guarantor, as the case may be, will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that the Issuer or the Guarantor, as the case may be, is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer or the Guarantor, as the case may be, shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond or under the Guarantee, as the case may be, to a Holder (or to a third party on behalf of a Holder):

- (a) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the PRC other than the mere holding of the Bond;
- (b) where (in the case of a payment of principal or interest on redemption) the relevant Bond is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had surrendered the relevant Bond on the last day of such period of 30 days; or
- (c) who would not be otherwise liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been duly requested to make such a declaration or claim, such Holder fails to do so within any applicable period prescribed by such relevant tax authority.

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

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 7.

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

None of the Trustee and Agents shall be responsible for paying any tax, duty, charge, withholding or other payment in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Guarantor, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment or be responsible to provide any notice or information in relation to the Bonds in connection with payment of such tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.



## 8 Events of Default

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided in any such case that the Trustee shall have first been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at its principal amount together with any premium and accrued but unpaid interest (if any).

An “**Event of Default**” occurs if:

- (a) *Non-payment*: there has been a failure to pay (i) the principal of or any premium (if any); or (ii) any interest on any of the Bonds when due, and such failure continues for a period of seven days; or
- (b) *Breach of other obligations*: the Issuer or the Guarantor does not perform or comply with any one or more of their respective obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than those referred to in Condition 8(a) or where such default gives rise to a right of redemption pursuant to Condition 5(c)), which default is incapable of remedy or, if such default is capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor (with a copy to the Trustee) by any Holder; or
- (c) *Cross-default*: (i) any other present or future indebtedness of the Issuer, the Guarantor or any of their respective 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, the Guarantor or any of their respective 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 8(c) have occurred in aggregate equals or exceeds U.S.\$90,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this Condition 8(c) operates); or
- (d) *Enforcement proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 30 days; or
- (e) *Security enforced*: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of their respective Principal Subsidiaries on the whole or any material part of its assets of the Issuer, the Guarantor or the relevant Principal Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 30 days; or

- (f) *Insolvency*: the Issuer, the Guarantor or any of their respective Principal Subsidiaries is (or is, or could be, deemed by law or a court of competent jurisdiction to which it is subject to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, 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 a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of (or of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries; or
- (g) *Winding up*: an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, or the Issuer, the Guarantor or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a reconstruction, dissolution, amalgamation, reorganisation, merger or *consolidation* on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, (A) whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiaries; (B) a solvent winding up; or (C) a disposal on an arm's length basis where the assets or proceeds (whether in cash or otherwise) resulting from such disposal are vested in the Issuer, the Guarantor or any of their respective Subsidiaries; or
- (h) *Nationalisation*: all or any material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries is condemned, seized or *otherwise* appropriated by any person acting under the authority of any national, regional or local government; or
- (i) *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 (i) to enable the Issuer or the Guarantor lawfully to enter into, exercise its rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong and the PRC is not taken, fulfilled or done; or
- (j) *Illegality*: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or
- (k) *Unenforceability of Guarantee*: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (i) *Analogous event*: any event occurs which under the laws of the PRC has an analogous effect to any of the events paragraphs referred to in any of the foregoing paragraphs of this Condition 8.

In this Condition 8, “**Principal Subsidiary**” means any Subsidiary of the Issuer or the Guarantor, as the case may be:

- (i) whose revenue or (in the case of a Subsidiary which itself has subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries or the Guarantor and its Subsidiaries, as the case may be; or
- (ii) whose net profits or (in the case of a Subsidiary which itself has subsidiaries) consolidated net profits, as shown by its latest audited income statement are at least five per cent. of the consolidated net profits as shown by the latest audited consolidated income statement of the Issuer and its Subsidiaries or the Guarantor and its Subsidiaries, as the case may be, including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries’ or the Guarantor and its consolidated Subsidiaries’, as the case may be, share of net profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (iii) whose total assets or (in the case of a Subsidiary which itself has subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least five per cent. of the consolidated total assets of the Issuer and its Subsidiaries or the Guarantor and its Subsidiaries, as the case may be, as shown by the latest audited consolidated balance sheet of the Issuer and its Subsidiaries or the Guarantor and its Subsidiaries, as the case may be, including, for the avoidance of doubt, the investment of the Issuer or the Guarantor, as the case may be, in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer or the Guarantor, as the case may be, and after adjustment for minority interests; or
- (iv) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall become a Principal Subsidiary at the date on which the first available audited accounts (consolidated, if appropriate) of the Issuer or the Guarantor, as the case may be, prepared as of a date later than such transfer are issued, unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition,

*provided that*, in relation to paragraphs (i), (ii) and (iii) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer or the Guarantor, as the case may be, relate, the reference to the then latest consolidated audited accounts of the Issuer or the Guarantor, as the case may be, for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer or the Guarantor, as the case may be, for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are issued be deemed to be a reference to the then latest consolidated audited accounts of the Issuer or the Guarantor, as the case may be, adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

- (ii) if at any relevant time in relation to the Issuer or the Guarantor, as the case may be, or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, net profits or total assets of the Issuer, the Guarantor and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Issuer or the Guarantor, as the case may be;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, net profits or total assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer or the Guarantor, as the case may be; and
- (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer or the Guarantor, as the case may be, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer or the Guarantor, as the case may be.

A certificate signed by an Authorised Signatory of the Issuer or the Guarantor, as the case may be, that in their opinion a Subsidiary is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, be conclusive and binding on all parties.

## **9 Prescription**

Claims against the Issuer or the Guarantor for payment in respect of the Bonds or the Guarantee (as the case may be) shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

## **10 Replacement of Certificates**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to the Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity, pre-funding and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## 11 Meetings of Bondholders; Modification and Waiver

- (a) *Meetings of Bondholders*: The Trust Deed contains provisions for convening meetings of the Bondholders (and of passing written resolutions or Electronic Consent (as defined in the Trust Deed)) to consider any matter affecting their interests, including without limitation the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee and/or the Agency Agreement. Such a meeting may be convened by the Trustee, the Issuer or the Guarantor and shall be convened by the Trustee upon request in writing from Bondholders holding not less than ten per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented unless the business of such meeting includes consideration of certain proposals, *inter alia*, (i) to modify the maturity date of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution or (v) to modify or release the Deed of Guarantee (other than an amendment or supplement to, or a replacement of, the Deed of Guarantee in connection with a further issue of bonds pursuant to Condition 14 or modification pursuant to Condition 11(b)), in which case the necessary quorum for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 75 per cent., or at any adjourned such meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders, whether or not they were present at the meeting at which such resolution was passed.

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution passed in writing or by Electronic Consent will be binding on all Bondholders whether or not they participated in such written resolution or Electronic Consent.

*For so long as the Bonds are represented by the Global Certificate, an Extraordinary Resolution includes a consent given by way of Electronic Consent through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Bondholders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding.*

- (b) *Modification and waiver:* The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification (except as mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, or any failure to comply with, any of these Conditions or any of the provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement which, in its opinion, is not materially prejudicial to the interest of the Bondholders, or (ii) any modification which, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of applicable law. Any such modification, waiver or authorisation shall be binding on the Bondholders and, unless the Trustee agrees otherwise, such modification, waiver or authorisation shall be notified to the Bondholders by the Issuer or the Guarantor as soon as practicable thereafter in accordance with Condition 15.
- (c) *Entitlement of the Trustee:* In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 11), the Trustee shall have regard to the interests of, or be responsible for 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 on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## **12 Enforcement**

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such steps and/or actions and/or institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or the Bonds but it need not take any such steps and/or actions and/or institute any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.

The Trustee may refrain from taking any step and/or action and/or instituting any proceeding in any jurisdiction if the taking of such step and/or action and/or instituting any proceeding in that jurisdiction would, in its opinion, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking any such step and/or action and/or instituting any proceeding if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

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

### **13 Indemnification of The Trustee and The Agents**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including, without limitation, provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce its rights under the Trust Deed, the Deed of Guarantee, the Agency Agreement and/or these Conditions and in respect of the Bonds and to enforce payment or taking other actions unless in any such case it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction and for the Trustee to be paid or reimbursed for its fees, costs, expenses and indemnity payments and for any liabilities incurred by it in priority to the claims of the Bondholders. The Trustee and its affiliates are entitled to (a) enter into business transactions with the Issuer, the Guarantor and/or any entity related (directly or indirectly) to the Issuer or the Guarantor without accounting for any profit, and to act as trustee for the holders of any other bonds issued by or relating to, the Issuer, the Guarantor, any of their respective Subsidiaries and/or entity related (directly or indirectly) to any of them, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trustee and the Agents may each rely conclusively and may act or refrain from acting without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, information, confirmation or certificate from or any opinion or advice of any accountants, auditors, lawyers, valuers, auctioneers, surveyors, brokers, financial advisers, financial institution or any other expert or professional adviser, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise, and in any case where the Trustee so relies, confirmation, certificate, opinion or advice, in which case such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Guarantor and the Bondholders. The Trustee and the Agents shall not be responsible or liable to the Issuer, the Guarantor, the Bondholders or any other person for any loss occasioned by acting on or refraining from acting on any such report, information, confirmation, certificate, opinion or advice.

Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions or by law to exercise any discretion or power, take or refrain from taking any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking or refraining from taking any such action, making any such decision or giving any such direction or certification, to seek directions or clarification of any directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible or liable for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking or refraining from such action, making such decision or giving such direction or certification as a result of seeking such direction or clarification of any directions from the Bondholders or in the event that no direction or clarification is given to the Trustee by the Bondholder.

None of the Trustee or any of the Agents shall be responsible or liable for the performance by the Issuer, the Guarantor and/or any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer and/or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or the Agents shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or any such Agent in accordance with the instructions, direction, request or resolution of the Bondholders. The Trustee shall be entitled to rely conclusively on any instruction, direction, request or resolution of Bondholders given by Bondholders holding the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed (by way of written resolution or Electronic Consent).

The Trustee and the Agents shall have no obligation to monitor compliance with the provisions of the Trust Deed, the Deed of Guarantee, the Agency Agreement or these Conditions, or to ascertain whether an Event of Default or a Potential Event of Default or a Relevant Event has occurred, and shall not be liable to the Bondholders or any other person for not doing so.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer and the Guarantor or any of their respective Subsidiaries, and the Trustee shall not at any time have any responsibility or liability for the same and each Bondholder shall not rely on the Trustee in respect thereof.

#### **14 Further Issues**

The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects save for the issue date, the first payment of interest and the deadline for submission of the NDRC Post-issue Filing and Foreign Debt Registration) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the “Bonds” include (unless the context requires otherwise) any further bonds issued pursuant to this Condition 14 and consolidated and forming a single series with the Bonds. Any further bonds shall be constituted by a deed supplemental to the Trust Deed and guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee.

#### **15 Notices**

Notices to the Bondholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed.



*So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A., any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank SA/NV and Clearstream Banking S.A. for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## **16 Currency Indemnity**

U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer or the Guarantor under or in connection with the Bonds, the Trust Deed, the Deed of Guarantee and/or the Agency Agreement including damages. Any amount received or recovered in a currency other than U.S. dollar (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer, the Guarantor or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer or the Guarantor shall only constitute a discharge to the Issuer or the Guarantor to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient, the Issuer or the Guarantor shall indemnify such recipient against any loss sustained by it as a result. In any event, the Issuer or the Guarantor shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition 16, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's or the Guarantor's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

## **17 Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Bonds expressly provide for such Act to apply to any of their terms.

## 18 Governing Law and Jurisdiction

- (a) *Governing law*: The Bonds, the Trust Deed, the Deed of Guarantee, the Agency Agreement and any non-contractual obligations arising out of or in connection with the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement are governed by and shall be construed in accordance with English law.
- (b) *Jurisdiction*: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement, and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed, the Deed of Guarantee, as applicable, and the Agency Agreement, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.
- (c) *Agent for service of process*: Each of the Issuer and the Guarantor has irrevocably appointed COGENCY GLOBAL (HK) LIMITED currently at Room 2303, 23/F, The Sun’s Group Centre 200 Gloucester Road Wan Chai, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on any of the Bonds. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to or received by the Issuer or the Guarantor). If for any reason the agent for service of process ceases to have such a principal place of business in Hong Kong, each of the Issuer and the Guarantor shall forthwith appoint a substitute process agent for service of process in Hong Kong and shall deliver to the Trustee a copy of the new process agent’s acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.
- (d) *Waiver of immunity*: Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) or any order or judgment made or given in connection with any Proceedings.

## **USE OF PROCEEDS**

The gross proceeds from the offering of the Bonds will be U.S.\$100,000,000. The Issuer intends to use the net proceeds from the offering of the Bonds, after deducting the fees and other expenses in connection with the issue of the Bonds, for project development and replenishing of working capital.

## SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Certificate will contain provisions which apply to the Bonds while they are in global form, some of which will modify the effect of the Terms and Conditions set out in this Information Memorandum. The following is a summary of certain of those provisions. Terms defined in the Terms and Conditions set out in this Information Memorandum have the same meaning in the paragraphs below.*

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

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions.

### **Promise to Pay**

The Issuer, for value received, will promise to pay to the Registered Holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions may become repayable in accordance with the Terms and Conditions) the amount payable upon redemption under the Terms and Conditions in respect of the Bonds represented by the Global Certificate and to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by the Global Certificate, together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions.

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

For the purposes of the Global Certificate, (i) the holder of the Bonds represented by the Global Certificate will be bound by all the provisions of the Trust Deed, (ii) the Issuer will certify that the Registered Holder is, at the Issue Date, entered in the Register as the holder of the Bonds represented by the Global Certificate, (iii) the Global Certificate will be evidence of entitlement only, (iv) title to the Bonds represented by the Global Certificate will pass only on due registration on the Register, and (v) only the holder of the Bonds represented by the Global Certificate will be entitled to payments in respect of the Bonds represented by the Global Certificate.

## **Exchange of Bonds Represented by Global Certificates**

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system selected by the Issuer and the Guarantor and approved in writing by the Trustee, the Principal Paying Agent and the Registrar through which the Bonds are held (an “**Alternative Clearing System**”) is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which this Global Certificate is issued must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

## **Notices**

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions.

## **Meetings**

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless this Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.\$1,000 in principal amount of Bonds for which the Global Certificate is issued.

## **Bondholder’s Redemption**

The Bondholder’s redemption option in Condition 5(c) of the Terms and Conditions may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

## **Issuer’s Redemption**

The option of the Issuer provided for in Condition 5(b) of the Terms and Conditions shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

## **Transfers**

Transfers of interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream or any Alternative Clearing System and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream or any Alternative Clearing System and their respective direct and indirect participants.

**Cancellation**

Cancellation of any Bond represented by the Global Certificate by the Issuer following its redemption or purchase by the Issuer will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in Schedule A of the Global Certificate.

**Trustee's Powers**

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (i) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (ii) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

The Global Certificate shall not become valid for any purpose until authenticated by or on behalf of the Registrar.

The Global Certificate and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

## DESCRIPTION OF THE GUARANTOR GROUP

*The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Guarantor has taken reasonable care in the compilation and reproduction of the information. None of the Issuer, the Placing Agents, the Trustee, the Agents or any of their respective affiliates, employees or professional advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Placing Agents, the Trustee, the Agents or any of their respective affiliates, employees or professional advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon. Each of the Issuer and the Guarantor confirms that the information included below has been accurately reproduced and that as far as the Issuer and the Guarantor are aware and are able to ascertain from publicly available information, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

### OVERVIEW

The Guarantor, Sichuan Development Financing Guarantee Co., Ltd. (四川發展融資擔保股份有限公司), is a company incorporated in September 2010 with initial registered capital of RMB500 million and wholly invested by Sichuan Development Holding Co., Ltd. (四川發展(控股)有限責任公司) (the “**Sichuan Development Holding**”). The Guarantor completed the shareholding system reform and was officially renamed to Sichuan Development Financing Guarantee Co., Ltd. in September 2015.

In April 2015, the Guarantor increased its capital by RMB382 million, among which RMB374 million was funded by Sichuan Development Holding and RMB8 million was funded by a new shareholder, Sichuan Development and Investment Co., Ltd. (四川發展投資有限公司) (the “**Sichuan Development and Investment**”). In October 2016, each of Sichuan Development Holding and CDB Development Fund Co., Ltd. (國開發展基金有限公司) (“**CDB Development Fund**”) contributed RMB2,500 million respectively to increase capital of the Guarantor. It is agreed that the capital contribution period of CDB Development Fund is 20 years and the Guarantor pays to CDB Development Fund every year for capital use. Besides, Sichuan Development Holding will repurchase the capital contributed by CDB Development Fund in instalments according to the agreement and expect to complete the repurchase within 15 years, which will not affect the Guarantor’s capital.

In July 2017, Sichuan SASAC issued Approval for Sichuan Development Holding Co., Ltd. to Inject Financial Assets into Sichuan Financial Holding Group Co., Ltd. (Chuanguoziguihua [2017] No.30) (關於對四川發展(控股)有限責任公司將金融資產注入四川金融控股集團有限公司的批復)(川國資規劃[2017] 30號) and approved 57.37% of the Guarantor’s shares held by Sichuan Development Holding to be transferred to Sichuan Financial Holding Group Co., Ltd. (the “**Sichuan Financial Holding Group**”). In October 2021, CDB Development Fund transferred its 3.40% shareholding in the Guarantor (corresponding to RMB200 million) to Sichuan Financial Holding Group, which therefore held 60.77% shareholding in the Guarantor immediately after the transfer. In October 2023, CDB Development Fund transferred its 3.40% shareholding in the Guarantor (corresponding to RMB 200 million) to Sichuan Financial Holding Group, who therefore held 64.17% shareholding in the Guarantor immediately after the transfer. As at the date of this Information Memorandum, the Guarantor’s registered capital is RMB5,882 million, of which Sichuan Financial Holding Group is holding approximately 64.17%, CDB Development Fund is holding approximately 35.70% and Sichuan Development and Investment is holding approximately 0.13% of shareholding of the Guarantor. The controlling shareholder and de facto controller of the Guarantor is Sichuan Provincial Department of Finance (四川省財政廳).

As a provincial state-owned guarantee platform in Sichuan Province, the Guarantor has strong capital strength and occupies the core and leading position in the guarantee system of Sichuan Province. The Guarantor receives various financial and policy support from Sichuan provincial government including capital supplement and benefits from the close cooperation with Sichuan SASAC, which provides the Guarantor with clear competitive advantage in developing and operating business in the regional market.

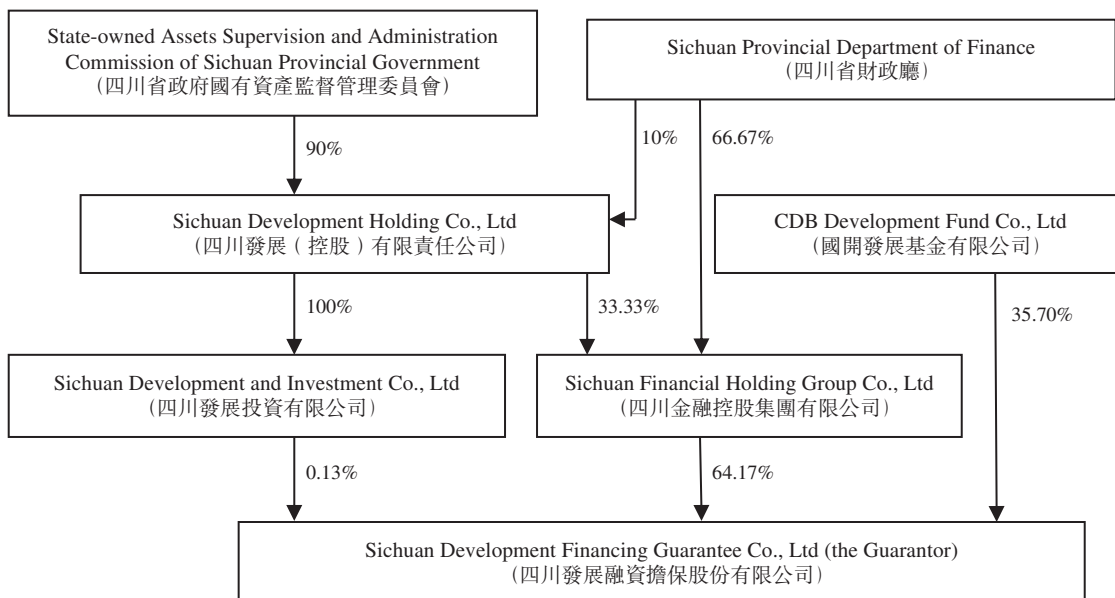
## HISTORY AND DEVELOPMENT

<b>Year</b>	<b>Key Development Milestones</b>
2010	September – The Guarantor incorporated with an initial registered capital of RMB500 million
2012	March – The Guarantor transformed into a state-owned commercial guarantee company conducting market-oriented financing guarantee businesses
2015	April – The registered capital of the Guarantor increased to RMB882 million
2015	September – The Guarantor completed shareholding reform and officially renamed to Sichuan Development Financing Guarantee Co., Ltd.
2016	April – The Guarantor obtained approval from the National Development and Reform Commission for special construction fund pilot scheme
2016	October – The Guarantor increased registered capital by RMB5,000 million
2017	February – Sichuan Financial holding Group Co., Ltd. (四川金融控股集團有限公司) was established with a registered capital of RMB30 billion.
2017	July – The original controlling shareholder Sichuan Development Holdings (四川發展控股) injected all its equity interests in the Guarantor into the Sichuan Financial holding Group Co., Ltd
2021	October – CDB Development Fund Ltd., Sichuan Financial Holding Group Co., Ltd and the Guarantor signed a share transfer agreement where CBD Development Fund Ltd transferred an equivalent of RMB200 million shares in the Guarantor to Sichuan Financial holding Group Co., Ltd.
2023	October – CDB Development Fund Ltd. transferred its shares in the Guarantor (equivalent to RMB200 million) to Sichuan Financial Holding Group Co., Ltd.



## CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Guarantor as at the date of this Information Memorandum:



## COMPETITIVE STRENGTHS

The Guarantor has a good credit standing and certain qualifications. On 18 August 2023, Pengyuan Credit Rating Co., Ltd. (中證鵬元資信評估股份有限公司) gave the Guarantor an AAA credit rating; United Credit Ratings co., Ltd (聯合資信評估股份有限公司) gave the Guarantor an AAA credit rating on 30 December 2022; China Chengxin (Asia Pacific) Credit Ratings Company Limited (中誠信國際信用評等有限責任公司) gave the Guarantor an AAA credit rating on 6 December 2022; Dagong Global Credit Rating Co., Ltd (大公國際資信評估有限公司) gave the Guarantor an AAA rating on 19 January 2023; Dongfang Jincheng International Credit Evaluation Co., Ltd. (東方金誠國際信用評估有限公司) gave the Guarantor an AAA rating on 30 June 2023; and New Century Zixin Assessment Investment Service Limited Company (上海新世紀資信評估投資服務有限公司) gave the Guarantor an AAA rating on 1 December 2022.

The Guarantor is also a member of the NAFMI and has obtained an AAA rating on the capital market. It has the qualifications to carry out credit enhancement businesses on the capital market.

The Guarantor further believes that it has the following competitive strengths:

- The Guarantor has regional competitive advantage in financing guarantee industry.
- The Guarantor has a strong location advantage in Sichuan province.
- The Guarantor has a strong relationship with the local government and has a strong governmental support.
- The Guarantor has diversified business segments providing all kinds of guarantee services and self-funded investment services.

- The Guarantor has a strong and experienced management team with extensive industry and management expertise.

## **DEVELOPMENT STRATEGIES**

The Guarantor takes its responsibility to serve the development of real economy, focuses on direct financing guarantee business, indirect financing guarantee business and non-financing guarantee business, regards investment business as an important source of profit, strives to promote coordinated linkage with financial institutions within the Sichuan Financial Holding Group and commits to developing into a domestic first-class provincial financing guarantee institution.

To achieve the above development goals, the Guarantor pursues the following development strategies:

- To build a domestic first-class professional financing guarantee platform. Continue to improve the level of specialisation and risk control, innovate the business models, regulate the business processes and provide high-quality, efficient, professional and convenient financing services to real entities.
- To build an important credit-enhancing service platform for direct financing business in Sichuan Province. Continue to rely on the advantage of the high credit level, cooperates with credit enhancement companies to jointly develop direct financing guarantee services such as bond credit enhancement, diversify business risks and improve the level of direct financing of Sichuan Province.
- To become an important financing service platform for the transformation and upgrading of Sichuan Province's manufacturing industry. Seize the major development opportunities of vigorously promoting the transformation and upgrading of manufacturing industry in Sichuan Province, support the transformation and upgrading of manufacturing industry through various methods such as guarantees and investments, and assist the construction of key projects in Sichuan Province and the "Made in China 2025 Sichuan Action Plan".

## **DESCRIPTION OF BUSINESS**

The Guarantor is principally engaged in loan guarantees, bill acceptance guarantees, trade financing guarantees, project financing guarantees, letter of credit guarantees; bond guarantees, trust guarantees, fund guarantees, litigation preservation guarantees, bid guarantees, advance payment guarantees, project performance guarantees and final payment guarantees; intermediary services such as financing consulting and financial advisory related to the guarantee business and investment with own funds.

At the beginning of the establishment, the Guarantor mainly provided policy financing guarantee business for the enterprises in the Wenchuan earthquake-stricken area. After the completion of post-disaster reconstruction task in 2012, the Guarantor conducted a market-oriented transformation, focusing on the development of indirect financing guarantee business. With the downturn of economy and significantly increased default risks of the Small and Medium Enterprises (the "SMEs"), the Guarantor's compensation scale increased substantially. In order to reduce the business risks, the Guarantor began to control indirect financing guarantee business scale and seek strategic transformation to further promote the direct financing guarantee business in capital market. In terms of the indirect financing guarantee business, the Guarantor plans to design more financial service products to better serve inclusive finance while strengthening its own risk management.

## **Guarantee Business**

The guarantee business of the Guarantor currently includes financing guarantee business and non-financing guarantee business. Financing guarantee business includes bond guarantee, bank loans and other financing guarantees. The Guarantor takes full advantage of its capital and AAA credit rating to serve the bond issuing enterprises, which are mainly SMEs and local urban investment companies in Sichuan Province, improves the level of direct financing of Sichuan Province and the Guarantor's bond guarantee business scope is continuously expanded. At the same time, the Guarantor also innovates and promotes the construction of SMEs guarantee business model of "batch acquisition, standardized operation and unified risk control" to help SMEs in Sichuan Province to solve the problems regarding difficult financing and expensive financing.

### ***(a) Financing Guarantee Business***

When the Guarantor was first established, the financing guarantee business was mainly on bank financing guarantee. In 2016, the Guarantor began to get involved in direct financing guarantee business. Benefiting from the background of the state-owned shareholders and its own strong capital strength, the Guarantor has obtained a high degree of recognition from financial institutions such as banks.

The direct financing guarantee business was started in 2016 and vigorously promoted in 2017. The bonds guaranteed by the Guarantor are mainly platform enterprises and state-owned enterprises in Sichuan Province. The Guarantor strengthens cooperation with local governments, securities companies and platform companies, vigorously expands direct financing guarantee business focusing on Chengdu, realises full marketing coverage in the Greater Chengdu area (大成都地區) and establishes comprehensive direct financing guarantee projects reserve amounted to RMB10,000 million.

The types of bonds guaranteed by the Guarantor include corporate bonds, private placement notes (PPNs) and medium-term notes. The entity ratings of the issuers of the bonds guaranteed by the Guarantor are mainly grade AA and above, amounting to approximately 87.60% of the guaranteed balance of the bonds issued.

In terms of business channels, relying on its strong shareholder background and strong capital strength, the Guarantor has signed cooperation agreements with 31 commercial banks in the region, including Bank of China and Agricultural Bank of China, with a total credit amount of RMB23.61 billion by the end of 2021. 19 of these banks have no deposit requirements, and the rest require the Guarantor to provide 5% to 10% of guaranteed deposits. The Guarantor also strengthens cooperation with new financial channels, such as Tencent Linklogis (騰訊聯易融), JD Yipiao (京東宜票), CSCC (中企雲鏈), CCB Rongtong (建信融通), Xiaomi Finance (小米金融) and other companies, through the development of supply chain financing tools, including "commercial paper guarantee", "commercial paper loan" and "commercial paper second financing", to help small and micro enterprises to achieve financing by means of pure credit guarantee.

The Guarantor actively negotiates with Sichuan Credit Re-Guarantee Co., Ltd. (四川省信用再擔保有限公司) (“**Sichuan Credit Re-Guarantee**”) to carry out re-guarantee business cooperation and provides quota re-guarantee and special re-guarantee services under the “National Financing Fund (國家融擔基金)” for SMEs projects that meet the requirements. In the event of compensation of projects, Sichuan Credit Re-Guarantee will undertake 10% to 40% of the compensation. As at 30 June 2022, the business balance of the Guarantor reinsured by Sichuan Credit Re-Guarantee and the financing fund was RMB159.13 million, which is conducive to the Guarantor to diversify the risks of its guarantee business for SMEs.

For compensated projects, Sichuan Credit Re-Guarantee Co., Ltd. will undertake 10% to 40% of the compensation. As of the end of June 2022, the business balance of Sichuan Development Guarantee reinsured by Sichuan Credit Re-Guarantee Co., Ltd. and Rongdan Fund was RMB159.13 million, which is conducive to Sichuan Development Guarantee to diversify the risk of guarantee business for SMEs.

The Guarantor is actively carrying out works to share the banks’ guarantee burden. As at 30 June 2022, it has entered into risk-sharing cooperation agreements with 11 banks, including Postal Savings Bank of China, Bank of Shanghai, China Minsheng Bank Corp., Ltd., Great Wall West China Bank Co., Ltd., Leshan City Commercial Bank, Mianyang City Commercial Bank, Yibin City Commercial Bank, HengFeng Bank Co., Ltd., Sichuan Bank Co., Ltd., Hua Xia Bank Co., Ltd. and China Guangfa Bank, with a total credit amount of over RMB12 billion.

**(b) Non-financing Guarantee Business**

The Guarantor’s non-financing guarantee business is mainly litigation security guarantee and project performance guarantee, of which the business scale is small. Since 2016, non-financing guarantee business liability balance has continued to decline. In 2017 and 2018, non-financing guarantee business has a rather small amount of new growth mainly due to the Guarantor’s internal structure adjustment and limited business development channels. Since 2018, the Guarantor has been actively relying on high-quality enterprises such as state-owned enterprises and listed companies to carry out batch-type business with integrated overall credit and expand the scale of non-financing guarantee business. At the same time, the Guarantor has actively communicated with the provincial branches of China Construction Bank to provide separate guarantee and conduct tripartite cooperation with Sichuan Provincial Public Resource Trading Centre to make use of its rich customer resources to develop non-financing business.

In recent years, non-financing guarantee business accounted for a relatively small proportion in the Guarantor’s guarantee business. In the future, the Guarantor will strengthen cooperation with state-owned enterprises and financial institutions and continuously expand customer resources.

**Investment Business**

In order to enhance the return on assets, the Guarantor also carries out investment business. The Guarantor arranges the use of idle funds, allocates short-term investment assets and guarantees the proportion of asset allocation at the end of the year according to business development.

Currently, the investment types of the Guarantor mainly include mandated loans, credit debts and asset-backed special schemes.

## Distribution of Credit Rating

As of the present, Sichuan Development Guarantee's bond guarantee services has a proportion of over 70%. As of the end of December 2023, the Guarantor has provided guarantee for 93 successfully-issued bonds with a guaranteed balance of RMB33.848 billion. Within such, customer bond guarantees with a credit rating of AA or above hold an aggregated balance of RMB31.5 billion, accounting for 93.06% in total.

## Maturity Distribution

Prior to 2015, the Guarantor mainly served SMEs in the Sichuan Province. Its main services are of short-term revolving loan guarantees with a limit of 1 year (inclusive). Since 2016, the company has benefitted from the strong capital advantage and the background of its state-owned shareholders. From such, the corporate bonds business has expanded tremendously. Projects with a maturity period of 2-5 years, such as medium-term notes, corporate bonds and guarantee businesses of 5 years or above have grown rapidly. As of the end of December 2023, the balance of guarantee businesses with a project period of 2 years or above have accounted for 85.96% of the balance of the all guarantee businesses.

In the past three years and as of the end of December 2023, the distribution of Sichuan Development Guarantee's guarantee businesses is as follows:

Name Project	End of December 2023		FYE2022		FYE2021		FYE2020	
	Amount	Proportion	Amount	Proportion	Amount	Proportion	Amount	Proportion
	(RMB in 100 millions)	%	(RMB in 100 millions)	%	(RMB in 100 millions)	%	(RMB in 100 millions)	%
Within 6 months. . . . .	5.52	1.27	3.29	0.77	3.08	0.81	0.35	0.13
6-12 months (inclusive) . . .	23.83	5.48	136.63	32.13	11.48	3.00	12.35	4.53
1-2 years (inclusive). . . . .	31.73	7.29	17.10	4.02	9.32	2.44	7.19	2.63
2-5 years (inclusive). . . . .	246.43	56.63	260.43	61.24	218.94	57.30	147.21	53.93
5 years or above. . . . .	127.64	29.33	130.81	30.76	139.29	36.45	105.86	38.78
<b>Total . . . . .</b>	<b>435.14</b>	<b>100.00</b>	<b>425.26</b>	<b>100.00</b>	<b>382.12</b>	<b>100.00</b>	<b>272.97</b>	<b>100.00</b>

## Regional Distribution

The Guarantor is based in Sichuan. The operation area of the guarantee business is mainly in Chengdu, covering most areas in the Province and has rooted operations in province cities such as Beijing and Chongqing. As of the end of December 2023, there is a balance of RMB21.22 billion in Chengdu's guarantee business, accounting for 48.76% of the total balance of the guarantee business.

As of the end of December 2023, the regional development of the Guarantor is as follows:

Region	Amount	Proportion
	(RMB in 100 million)	%
Chengdu . . . . .	212.18	48
Luzhou . . . . .	40.12	9.22
Meizhou . . . . .	39.45	9.07
Yibin . . . . .	28.46	6.54
Neijiang . . . . .	16.89	3.88
Suining . . . . .	14.07	3.23
Zigong . . . . .	11.97	2.75
Mianyang . . . . .	10.73	2.47
Guangyuan . . . . .	8.72	2.00
Panzhihua . . . . .	6.14	1.41
Dazhou . . . . .	5.00	1.15
Deyang . . . . .	4.32	0.99
Liangshan Yi Autonomous Prefecture . . . . .	4.23	0.97
Ya'an . . . . .	4.00	0.92
Leshan . . . . .	2.47	0.57
Aba Tibetan and Qiang Autonomous Prefecture . . . . .	0.02	0.01
Garze Tibetan Autonomous Prefecture . . . . .	0.02	0.005
Nanchong . . . . .	0.02	0.005
Bazhong . . . . .	0.01	0.003
Guang'an . . . . .	0.001	0.0002
Non-provincial areas . . . . .	26.31	6.05
<b>Total . . . . .</b>	<b>435.14</b>	<b>100</b>

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

The Guarantor has established “three boards and one layer” management structure, clarifying the responsibilities, scope of authority, authorisation matters and exercise procedures of different organisational levels.

The board of shareholders is the Guarantor’s authority. The functions and powers exercised by the board of shareholders include deciding the Guarantor’s business policies and investment plans, reviewing and approving the reports of the board of directors and the board of supervisors, electing and replacing the shareholder directors and shareholder supervisors, reviewing and approving annual financial budget plan and final accounts plan.

The board of directors is responsible for the board of shareholders and exercises various powers in accordance with the Guarantor’s articles of association. The functions and powers exercised by the board of directors include deciding the establishment of internal institutions and staffing, reviewing major matters such as foreign investment, guarantees and asset transfers, and formulating company management systems. The board of directors is composed of 5 directors, of which the chairman of the board of directors is Mr. Tan Yang (譚揚).

The board of supervisors consists of 3 supervisors. The functions and powers exercised by the board of supervisors include inspecting the Guarantor’s finances, supervising the actions of directors and senior management in performing duties. The senior management mainly includes 1 general manager, 3 deputy general managers and 1 chief financial officer. The senior management is responsible for the daily operation and management.

As at the date of this Information Memorandum, the directors, supervisors and senior management of the Guarantor are set forth as in the table below:

<b>Name</b>	<b>Age</b>	<b>Position</b>
<b><i>Directors</i></b>		
Tan Yang (譚揚) . . . . .	47	Chairman and Legal Representative
Tao Yong Bo (陶用波) . . . . .	54	Director
Tang Li Ping (唐莉萍) . . . . .	51	Director
Zhou Li Ping (周麗萍) . . . . .	43	Director
Tan Ping (譚萍) . . . . .	55	Director
<b><i>Supervisors</i></b>		
Yang Yu Neng (楊寓能) . . . . .	55	Supervisor
Luo Zhi (羅志) . . . . .	62	Supervisor
Fu Ruo Xue (傅若雪) . . . . .	51	Supervisor
<b><i>Senior Management</i></b>		
Tan Yang (譚揚) . . . . .	47	General Manager
Tang Li Ping (唐莉萍) . . . . .	51	Chief Financial Officer

## **INTERNAL MANAGEMENT SYSTEM**

The internal management system of the Guarantor mainly includes corporate governance system, internal control and management system, direct financing business management system and financial management system.

### **1. Corporate Governance System**

The Guarantor has formulated several governance systems, such as the Articles of Association, Rules of Procedure for General Meeting of Shareholders, Rules of Procedure for Board of Directors, Rules of Procedure for Board of Supervisors and Rules of Procedure for Meetings of General Manager Office. The Guarantor establishes a modern corporate legal person governance structure and a new type of corporate system with the socialist market economy as the basis, the corporate legal person system as the main body, the limited liability system as the core and the clearly established ownership, clear rights and responsibilities, separation of government and enterprise and scientific management as the conditions.

## **2. Internal Control and Management System**

In order to optimise the governance structure and management and operation mechanism, realise the enterprise development strategies and establish the modern enterprise system, the Guarantor refers to the requirements of Basic Standards for Internal Control of the Enterprise and Guidelines for the Application of Internal Control of the Enterprise, hires KPMG Consulting to organise and improve the Guarantor's risk control system. The Guarantor gradually revises and perfects its internal control systems such as the Administrative Measures for the Construction of Operation and Management System, Administrative Measures for Contracts and Legal Documents, Interim Measures for Effectiveness Supervision, Seal Management Measures, Audit System and Accountability System for Violations to ensure that the Guarantor's internal institutional settings and operating mechanisms meet the requirements of modern enterprise systems.

## **3. Business Management System**

In order to standardise business development and effectively control business risks, the Guarantor implements the construction of "comprehensive risk management", takes risk control as the starting point and reshapes a set of industry-leading "Large-scale risks control" operating mechanism. In respect of the business, the Guarantor formulates the Guidelines for the Review of Credit Debt Financing Guarantee Business, Administrative Measures on Insider Information Related to Listed Companies, Credit Management Measures, Administrative Measures for Connected Customers, Working Rules of the Credit Review Department, Working Rules of Insurance Review and Risk Management Committee, Projects Lending Review Rules, Guarantee Business Contracts Mandatory Implementation Notarization Related Provisions (Trial) and Business File Management Measures.

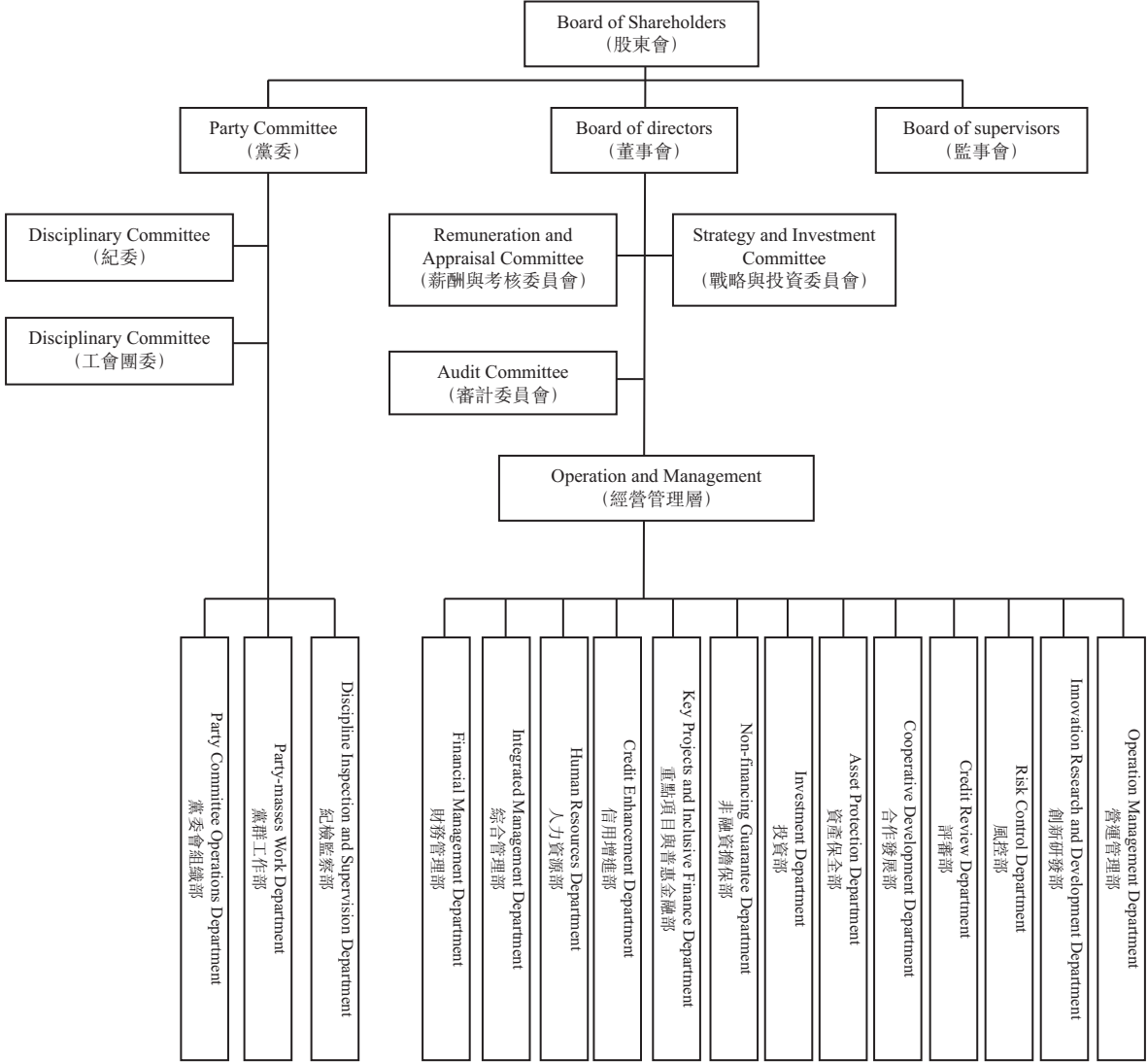
## **4. Financial Management System**

In order to standardise financial work and prevent capital risks, in accordance with relevant national financial laws and regulations and the Enterprise Accounting Standards, the guarantor formulates financial management systems for accounting, fund receipt and payment, liquidation and settlement, including Financial Management System, Interim Measures for Daily Expenses, Fund Management Measures, Fund Payment Approval Management Measures, Travel Expense Management Measures, Business Hospitality Management Measures, Alternative Fund Management Measures.



**ORGANISATION STRUCTURE**

As at the date of this Information Memorandum, the Guarantor had 16 functional departments. The following chart sets forth the organisational structure of the Guarantor:



**CORPORATE GOVERNANCE**

The Guarantor is made up of a board of shareholders, a board of directors, a board of supervisors and the senior management layer. It has established a “three boards and one layer” management structure, clarifying the responsibilities, scope of authority, authorisation matters and exercise procedures of different organisational levels.

The board of shareholders is the Guarantor’s authority. The functions and powers exercised by the board of shareholders include deciding the Guarantor’s business policies and investment plans, reviewing and approving the reports of the board of directors and the board of supervisors, electing and replacing the shareholder directors and shareholder supervisors, reviewing and approving annual financial budget plan and final accounts plan.

The board of directors is composed of 5 directors. It is responsible for the board of shareholders and exercises various powers in accordance with the Guarantor's articles of association. The functions and powers exercised by the board of directors include deciding the establishment of internal institutions and staffing, reviewing major matters such as foreign investment, guarantees and asset transfers, and formulating company management systems.

The board of supervisors consists of 3 supervisors. The functions and powers exercised by the board of supervisors include inspecting the Guarantor's finances, supervising the actions of directors and senior management in performing duties.

Under the senior management system, there is one general manager and several senior management positions such as the deputy general manager and financial manager, who are all appointed or dismissed by the board of directors.

The general manager answers directly to the board of directors and is responsible for the daily operation and management of the company, organizing and implementing the board resolutions, the company's annual operation plan and investment plan.

## **EMPLOYEES**

As at the date of this Information Memorandum, the Guarantor has maintained good working relationships with its employees. The Guarantor's full-time employees participate in various employee benefit plans such as pension insurance and medical insurance plans. The employment contracts generally specify the employees' responsibilities, remuneration and grounds for termination. As at the date of this Information Memorandum, there was no interruption to operation and management as a result of labour disputes. In addition, the Guarantor has not experienced any strike, work stoppage or significant labour dispute which has materially affected its operation and management.

## **LEGAL PROCEEDINGS**

As at the date of this Information Memorandum, there is no pending or threatened litigation, arbitration or claims of significant against the Guarantor or any of the senior management team members that could have a material adverse effect on the business, financial condition and results of operations of the Guarantor.

## **GENERAL INFORMATION**

The Guarantor is domiciled at 16th Floor, Building 1, China Overseas International Center, No. 177 Jiaozi Avenue, Chengdu High-tech Zone, the PRC. The website address of the Guarantor is [www.scfzdb.com](http://www.scfzdb.com). Information contained on the website is subject to change from time to time. No representation is made by the Issuer, the Manager, the Trustee or the Agents (as defined in the Terms and Conditions) and none of the Issuer, the Manager, the Trustee or the Agents takes any responsibility for any information contained on the Guarantor's website.

## DESCRIPTION OF THE ISSUER GROUP

### OVERVIEW

The Issuer Group is an important entity for the economic construction and urban operations in Xichang City. It is wholly-owned by Xichang Guosheng Industrial Development Co., Ltd. (西昌國盛實業發展有限公司), and is ultimately controlled by Xichang Finance Bureau (西昌市財政局). The Issuer Group's operation and investment primarily focus on six major business segments, namely (i) building materials sales, (ii) scenic spot operation and maintenance services, (iii) urban transportation services, (iv) house rental property and management services, (v) travel services and (vi) other services. Each of such businesses occupies an important position in the related industries in Xichang City.

The major onshore subsidiaries of the Issuer Group include:

- Xichang Yuecheng Public Transport Co., Ltd. (西昌月城公共交通有限公司) (“**Yuecheng Public Transport**”) – Yuecheng Public Transport was established in 2017. It is owned as to 51% by the Issuer. It engages in the businesses of: public electric bus passenger transport; highway passenger transport; automobile repair and maintenance; taxi passenger transport; passenger ticketing agency; car rental; advertising design, production, agency release; corporate management services; corporate image planning services; corporate management consulting services; property management; Wholesale of building materials; financial consulting services; self-owned real estate operations; conference and exhibition services; large-scale event organization services; project planning services and public relations services; furniture retail; sales of furniture; binding and printing related services; multimedia design services; and charging stations;
- Xichang Hongxin Sand and Stone Development Co., Ltd. (西昌市洪鑫砂石開發有限責任公司) (“**Hongxin Sand**”) – Hongxin Sand was established in 2009 and is a wholly-owned subsidiary of the Issuer. It engages in the businesses of: river sand mining; road cargo transportation (excluding dangerous goods); urban construction waste disposal (clearance and transportation); mining of mineral resources (non-coal mines); General projects: processing of construction stones; sales of construction materials; sales of metal materials; construction use Sales of steel bar products; sales of cement products; mineral processing; mineral washing and processing; sales of non-metallic minerals and products; and manufacturing of non-metallic mineral products;

- Xichang Qionglu Tourism Management Service Co., Ltd. (西昌邛崃旅游管理服務有限公司) (“**Qionglu Tourism**”) – Qionglu Tourism was established in 2017. It is a wholly-owned subsidiary of the Issuer. It engages in the businesses of: tourism management services; information system integration services; tourism resource development; tourist attraction services; tourist attraction management; tourism consultation consulting services; landscaping project construction; tourism project planning services; out-of-city artificial scenic spot management services; tourism exhibition services; management of scenic spots and scenic spots; internet of things technical services; intelligent control system integration; public safety technical prevention projects; cloud computing technology application of technology; wiring and equipment engineering construction; municipal public works; internet development and application; communication engineering; sensor network development and application; cruise boat rental activities in parks and scenic spots (without operators); stall entertainment activities in parks and scenic spots; small animal carts, horse riding, fishing and other activities in parks and scenic areas; tourist passenger transportation; digital transformation and development services of traditional cultural products; cultural exhibition services; domestic tourism operation services; tourist hotels; tourist non-star hotel accommodation services; tourist star hotel accommodation services; internet culture, sporting goods and equipment retail; cultural product design (arts and crafts design services); domestic tourism and inbound tourism solicitation and consulting services; domestic tourism and inbound tourism operation services; garden design; urban landscaping planning services; park and garden land leveling, rockery, rockery and other artificial landscapes and park ropeway construction activities; comprehensive park management services; garden park management services; hotel management services; building decoration and decoration of hotels and catering establishments; catering management services; mass sports activity planning services; recreational vehicle (“**RV**”) campground services; provision of RV site services; professional parking services; reservation sales of packaged food (including frozen and refrigerated food); sales of prepackaged food and bulk food; sales of agricultural and sideline products; and catering services;
- Xichang Hengji Guozi Property Management Co., Ltd. (西昌市恒基國資物業管理有限責任公司) (“**Xichang Hengji**”) – Xichang Hengji was established in 2008 and is a wholly-owned subsidiary of the Issuer. It engages in the businesses of: property management; parking services; hotel management; housekeeping services; non-residential real estate leasing; housing leasing; operation of sports venues and facilities (excluding high-risk sports); food sales (only sales of prepackaged food); engineering management services; sales of daily necessities; sales of computer equipment; sales of building materials; accommodation services; and catering services;

- Sichuan Hengji Smart City Technology Co., Ltd. (四川恒基智慧城市科技有限公司) (“**Hengji Smart City**”) – Hengji Smart City was established in 2021. It is owned as to 66% by the Issuer. It engages in the businesses of: Internet of Things (IoT) technology services; information system integration services; software development; data processing services; technical services, technical development, technical consulting, technical communication, technology transfer, technology promotion; information technology consulting services; digital content production services (excluding publishing and distribution); general mechanical equipment installation services; internet security services; computer and communication equipment leasing; engineering management services; professional design services; data processing and storage support services; enterprise management consulting; enterprise management; engineering and technical research and development experiments; labor services (excluding labor dispatch); electronic product sales; communication equipment sales; information security equipment sales; cloud computing equipment sales; network equipment sales; software sales; wholesale of computer software, hardware, and auxiliary equipment; calculator equipment sales; computer system services; vocational intermediary activities; construction engineering design; and sales of computer information system security products; and
- Sichuan Hengji Lexin Digital Intelligence Technology Co., Ltd. (四川恒基樂鑫數智科技有限公司) (“**Hengji Lexin**”) – Hengji Lexin was established in 2022. It is owned as to 60% by the Issuer. It engages in the businesses of: data processing services; network and information security software development; software development; leasing services (excluding licensed leasing services); information technology consulting services; network technology services; information consulting services (excluding licensed information consulting services); energy storage technology services; technical services, technical development, technical consulting, technical communication, technology transfer, technology promotion; application system integration services in the artificial intelligence industry; cloud computing equipment technology services; computer system services; intelligent control system integration; data processing and storage support services; business agency and agent services; digital cultural and creative content application services; other cultural and artistic agency services; education consulting services (excluding education and training activities that require licensing approval); marketing planning; bill information consulting services; supply chain management services; human resources services (excluding vocational intermediary activities and labor dispatch services); enterprise management; logistics management services; cooling services; warehouse equipment leasing services; general cargo warehousing services (excluding projects requiring licensing approval such as involving hazardous chemicals); low-temperature warehousing services (excluding projects requiring licensing approval such as involving hazardous chemicals); primary processing of edible agricultural products; wholesale of fresh meat; wholesale of aquatic products; wholesale of fresh eggs; wholesale of fresh fruits; wholesale of computer software, hardware, and auxiliary equipment; wholesale of fresh vegetables; primary acquisition of agricultural products; acquisition of livestock and poultry; sales of electronic products; sales of security equipment; sales of network equipment; sales of daily necessities; sales of agricultural and sideline products; sales of livestock; retail of computer software, hardware, and auxiliary equipment; retail of fresh meat; retail of fresh fruits; retail of fresh vegetables; retail of aquatic products; retail of fresh eggs; sales of computer information system security products; Class 1 value-added telecommunications services; Class 2 value-added telecommunications services; internet information services; online food sales; food sales; live poultry sales; urban delivery transportation services (not involving dangerous goods); and road freight transportation (not involving dangerous goods).

## HISTORY AND DEVELOPMENT

As at the date of this Information Memorandum, the Issuer had a registered capital of RMB900 million. The following sets forth key milestones in the business and corporate development of the Issuer Group since its establishment:

<b>Year</b>	<b>Events</b>
August 2013	The predecessor of the Issuer, Xichang Haihe Cultural Industry Development Co., Ltd. (西昌海河文化產業發展有限責任公司) was established as a state-owned enterprise wholly owned by Xichang State-owned Assets Management Co., Ltd. (西昌市國有資產經營管理有限責任公司), with a registered capital of RMB100 million, and the legal representative was He Yin (何寅).
April 2019	The Issuer's legal representative has been changed to Li Faping (李發平).
August 2019	The name of the Issuer has been changed from Xichang Haihe Cultural Industry Development Co., Ltd. (西昌海河文化產業發展有限責任公司) to Xichang Haihe Cultural Tourism Investment and Development Co., Ltd. (西昌海河文旅投資發展有限公司).
February 2020	The Issuer's legal representative has been changed from to Jia Xing (賈星).
May 2020	The Issuer increased its registered capital to RMB500 million and changed its company type to limited liability company (state-owned holding).
July 2024	The Issuer increased its registered capital to RMB900 million.
September 2024	The controlling shareholder of the Issuer changed from Xichang State-owned Assets Management Co., Ltd. (西昌市國有資產經營管理有限責任公司) to Xichang Guosheng Industrial Development Co., Ltd. (西昌國盛實業發展有限公司) and the Issuer became a wholly-owned subsidiary of Xichang Guosheng Industrial Development Co., Ltd. (西昌國盛實業發展有限公司).

## RELATIONSHIP WITH XICHANG PEOPLE'S GOVERNMENT

The controlling shareholder of the Issuer is Xichang Guosheng Industrial Development Co., Ltd., holding a 100 per cent. equity stake in the Issuer. The Issuer has independent legal personality and operates autonomously with separate accounting. It assumes full responsibility for profits and losses and has the autonomy to make business operations, strategic planning, and investment decisions.

Notwithstanding the Company's close relationships with Xichang People's Government, the various social and public welfare functions performed by the Issuer, and the financial support received by it, the Issuer is not part of the government. The Issuer is operationally and financially separated from Xichang People's Government and does not share any premises with Xichang People's Government. Certain board members and the senior management team of the Issuer are appointed, directly or indirectly, by Xichang People's Government, but they are not government officers. The Issuer has a budget and financial reporting system and assets and liabilities separate from those of Xichang People's Government. Xichang People's Government as the ultimate beneficiary of the Issuer, only has limited liability to the Issuer in the form of its equity contribution to the Issuer. Neither Xichang People's Government nor any other PRC governmental entity has any payment or other obligations under the Bonds or the Trust Deed and they will not provide a guarantee of any kind for the Bonds. The Bondholders do not have any recourse against Xichang People's Government or any other PRC governmental entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds or the Trust Deed shall solely be fulfilled by the Issuer as an independent legal person. Investments in the Bonds are on the credit risk of the Issuer, rather than that of Xichang People's Government or any other PRC governmental entity. In the event that the Issuer does not fulfill its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and their respective assets, and not any other person, including Xichang People's Government or any other PRC governmental entity.

This position has been reinforced by Circular 23, Circular 706, and Circular 666. However, none of these government circulars prohibits the PRC Government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Issuer's assets) to the Issuer in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Issuer and Xichang People's Government in this Information Memorandum does not imply in any way any explicit or implicit credit support of Xichang People's Government in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer.

## **COMPETITIVE STRENGTHS**

The Issuer Group believes the following competitive strengths distinguish it from its competitors and are important to its success and future development:

### **The Issuer Group enjoys location and resource advantages with for its business operation in Xichang City.**

All of the Issuer Group's businesses are mainly operated in Liangshan Yizu Autonomous Prefecture ("Liangshan Prefecture") of Xichang City. Liangshan Prefecture lays out a clear geographical advantage for the Issuer Group to develop and sell sand and gravel resources and increase inter-regional cooperation and development. In 2022, Liangshan Prefecture achieved a regional GDP of RMB208.1 billion, with a year-on-year growth of 6.0% based on comparable prices.

As the capital of Liangshan Prefecture, Xichang City has relatively convenient transportation conditions and sustained regional economic growth. The industrial economy, led by the five major industries of vanadium and titanium industry, nonferrous metals, food and medicine, new energy, manufacturing and building materials and electric energy industry, is under positive development and has relatively strong economic strength. Further the water resources from the Qionghai-Lushan-Luoji Mountain Scenic Area in Xichang City have provided support for the industry, agriculture and urban life in Xichang City. The Qionghai-Lushan-Luoji Mountain Scenic Area, with the certifications and honors of first batch of national tourist resorts in the country and the first national tourist resorts in Sichuan Province, national 4A tourist attractions, national ecotourism demonstration areas, national wetland parks and other scenic area, is also an important tourism resource to the Issuer Group.

The Issuer Group relies on the existing advantages of Xichang City's rich tourism resources to carry out industry integration and collaboration. By building a transportation network for the Qionghai Wetland Scenic Spot in Xichang City, corresponding tourism business will be driven, and thereby achieving coordinated business development.

### **The Issuer Group benefits from strong support from the government.**

The Issuer Group is wholly-owned by Xichang Guosheng Industrial Development Co., Ltd. (西昌國盛實業發展有限公司), and is ultimately controlled by Xichang Finance Bureau (西昌市財政局). Being the capital of Liangshan Prefecture, Xichang City has received continued attention and policy support from the central and provincial governments. In recent years, with the new round of continuous deepening work of the west of the PRC, the PRC government has expressed the strong support and ardent expectations for the future development of the entire Liangshan region. The Issuer Group serves as a comprehensive investment, construction, and operational platform of strategic importance for the Xichang People's Government, and it shares a deep-rooted relationship with the local government. In recent years, the local government has provided strong support to the Issuer through various channels including government subsidies. This support could manifest in various forms, such as preferential policies, access to resources, and streamlined administrative processes, giving the Issuer an edge over competitors. For instance, the Sichuan Provincial Party Committee and the Provincial Government have successively issued "One Opinion, Two Plans" and passed the "Overall Ideas for the Comprehensive Poverty Alleviation and Development Plan of the Big and Small Liangshan Mountains (2010-2020) (《大小涼山綜合扶貧開發規劃的總體思路(2010—2020)》)", pursuant to which a budget of more than RMB60 billion is to be utilised in the fields of social security, education planning, highway transportation, water conservancy construction, characteristic agriculture, labour economy and other fields, with a stronger efforts to develop economy and focus on promoting poverty alleviation and development of Xichang City. The policy support from the central and provincial governments provides the Issuer Group with better development opportunities and helps the Issuer Group to accelerate the development of various industries based on its policy advantages. As an important state-owned asset management entity in Xichang City, the Issuer has received strong support from its shareholder and related parties in terms of asset transfer and financial subsidies.



**The Issuer Group has rich experience in operation and management.**

Since the establishment of the Issuer, it has continuously improved its corporate governance structure and strengthened the standardised operations of its board of directors, board of supervisors and management. Most of the Directors, supervisors and senior managers of the Issuer have a bachelor's degree or above and they all have long-term grassroots work experience, understand the company's development direction, have high overall quality, and have the ability to achieve corporate standards, health and well-being in a complex market environment. The ability of sustainable development provides reliable management personnel provides a greater assurance of the future sustainable and stable growth of the Issuer. For details of Directors and senior management, please see "*Directors, Supervisors and Senior Management*" in this Information Memorandum.

**The Issuer Group enjoys regional monopoly in Xichang City and has strong comprehensive advantages and overall risk resistance capabilities.**

Being an enterprise ultimately controlled by the Xichang Finance Bureau, the Issuer has outstanding businesses and is engaged in the businesses of operation of scenic spots, public transportation services, sand and gravel mining and sales and other state-owned assets operations within Xichang City. The Issuer Group has established a strong foothold in aforesaid business in Xichang City, positioning itself as a dominant player in the region. Overall, the Issuer has strong comprehensive competitive advantages as it has received strong support in resource acquisition, project approval and subsidy policies since its establishment.

As the Issuer's subsidiaries operate in different industries which have different business cycles and macroeconomic impacts. Unsatisfied performance in certain industries can be made up by the prosperity of other industries, leading to a strong resistance to non-systemic risks of the Issuer.

**The Issuer Group possesses strong financing capabilities and a good credit rating.**

Since its establishment, the Issuer Group has cultivated sound business relationships with renowned financial institutions and has received support from various types of financial institutions. The Issuer Group maintains a good credit rating and has established stable cooperative relationships with several commercial banks.

The Issuer Group actively strengthens cooperation with commercial banks and gradually establishes a diversified and comprehensive financing situation to raise funds for project construction. This ensures sufficient financial resources for the Issuer Group's business operations and long-term development.

## **BUSINESS STRATEGIES**

The Issuer Group intends to implement the following strategies to achieve its business objectives:

### **Align with the overall development plan of Xichang City.**

As one of the important state-owned enterprises in Xichang City and the main body responsible for businesses including building materials, municipal construction business, asset operation and management, tourism and cultural development and public transportation in Xichang City, the Issuer Group will align with the overall development plan of Xichang City. The Issuer Group will fully leverage its strengths in tourism and cultural development to achieve the general objectives of Xichang City's development. The Issuer Group will improve its management, increase investment efforts, and adapt to the needs of rapid urban development.

### **Develop and diversify the Issuer Group's businesses leveraging technology.**

With the continuous development of Xichang City, the Issuer Group's business strategy is also being continuously optimised and adjusted. With the strong foundation of the operation in the Issuer's traditional businesses such as building materials sales, municipal construction, asset management, tourism and cultural development and public transportation, the Issuer has commenced businesses in the high-tech field such as smart scenic spots and smart cities. In particular, the Issuer will promote the development of smart tourism with the characteristics of digitisation, networking and intelligence, deepen "Internet + tourism", continue to optimise the function set of "Love Xichang" APP, develop e-commerce platforms and payment systems, and build a one-stop network service that integrates "housing, transportation, travel, shopping and entertainment" for tourism in Xichang. The Issuer will also attract and expand customers base through mainstream social platforms, and increase the income from tourism-derived services such as accommodation, catering, and entertainment in the city; make full use of technological innovation to improve the development level of the tourism industry, and adopt the establishment of Participate in holding companies and other forms to develop tourism service-related technologies, enhance the experience and interactivity of tourism products, and actively plan the research and development and application of interactive immersive tourism performances and other technologies in the Qionghai-Lushan Scenic Area.

For the scenic spot assets currently in operation, the Issuer also plans to improve tourist satisfaction by focusing on improving the quality of tour guide services and improving tourism public service facilities, increasing the return rate of scenic spots and attracting new tourists. In addition, the Issuer is actively planning tourism derivative services to carry out hotel operations, performing arts, research and other businesses through the introduction of brand partners.

The Issuer Group is currently undergoing diversified business plan for each business sector. With certain existing resource advantages in terms of coverage and upstream and downstream customers in the businesses of urban transportation, property leasing management and other aspects, the diversified development of the Issuer's business would have a certain level of guarantee.

**Undergo market-oriented business expansion.**

The Issuer Group will strive to improve its profitability while balancing current projects and long-term development goals. Efforts will be made to transform into a market-oriented entity that operates independently, while considering both social and economic benefits. The Issuer Group will establish a long-term development mechanism and adopt a market-driven approach. Leveraging its existing resources and advantages, the Issuer Group will enhance its profitability and maintain sustainable financing capabilities. This will result in a dual improvement in the scale and quality of the Issuer Group's assets. The Issuer Group's aim is to contribute to the financing of municipal project construction, preservation and appreciation of state-owned assets, and other aspects. The Issuer Group will achieve comprehensive and coordinated sustainable development for both Xichang City and itself through market-oriented operation and management.

**Continue to improve its corporate governance system.**

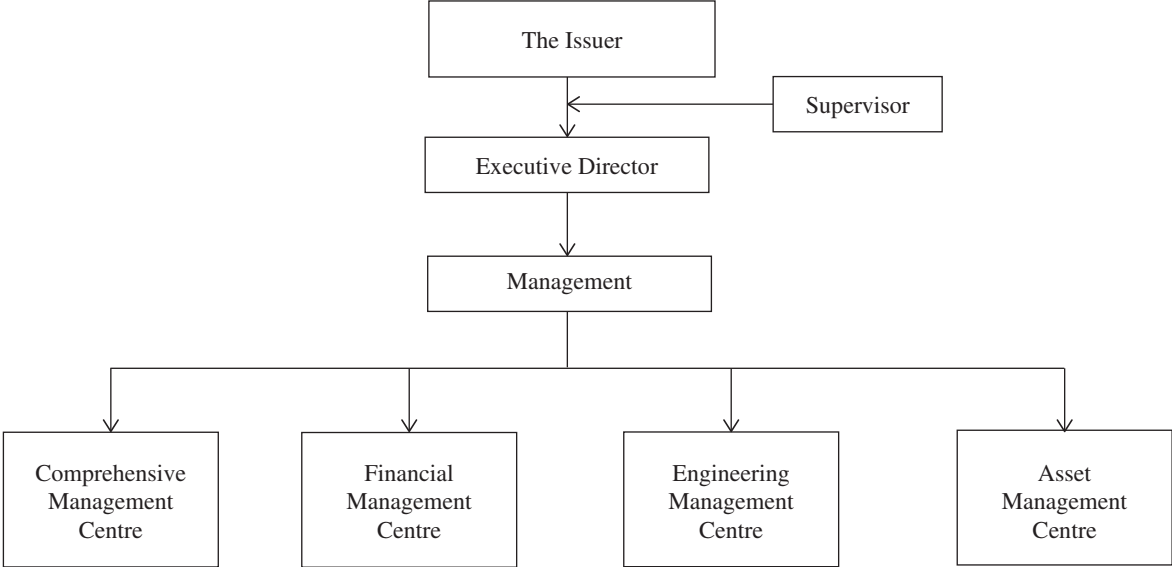
The Issuer Group will continue to improve its corporate governance structure and set up an internal control system. It will continuously optimise systems and processes, strictly establish internal control systems, and strengthen internal accounting systems. Its functional departments guarantee its smooth operation. The Issuer Group has adopted a standardised corporate governance structure in accordance with relevant laws and regulations. The Issuer Group has established the board of directors, supervisor and the management team under the leadership of the board of directors, and developed comprehensive corporate governance related documents, which have strictly stipulated the authority, obligations and operational processes of each level of corporate governance structure. The Issuer Group has also set up and implemented an internal control system tailored for it in order to ensure the realisation of its strategic objectives and control the risks in the process of operation. The Issuer Group has established and improved a series of internal control systems including but not limited to the budget management system, human resources risk management system, investment decision management system, and other management systems.

**Continue to attract, retain and motivate skilled and talented employees.**

The Issuer Group believes high-quality employees who value its corporate culture are essential elements for its sustainable growth. It intends to attract and retain skilled and talented employees from reputable PRC and overseas universities through various initiatives, including its creative training programmes, competitive compensation packages and effective incentive system. It will also further arrange for internal seminars and external training opportunities to enhance their competency. In addition, it will continue to build up its corporate culture by fostering entrepreneurial working environment and elite culture. It believes that such culture will promote innovation and collaboration, leading to increased efficiency, greater loyalty, job satisfaction, engagement and commitment to their work, resulting in improved return on its overall operation. With a strong reputation for excellence and a dedicated workforce, the Issuer Group believes that it is well-positioned to expand its business.

**ORGANISATION STRUCTURE**

The chart below shows the Issuer Group’s general organisational structure as at the date of this Information Memorandum:



In accordance with the Company Law of the People’s Republic of China, relevant laws, administrative regulations, and relevant government policies, the Issuer formulated the articles of association and established a complete internal organisational structure.

The Issuer adopts a flat management model for its subordinate departments. In accordance with the principle of “simplification and efficiency” and taking into account functional positioning and business characteristics, it has established four functional departments, namely, (1) Comprehensive Management Centre, (2) Financial Management Centre, (3) Engineering Management Centre and (4) Asset Operation Centre. Functional departments maintain mutual independence and good collaborative relationships and the specific responsibilities of each department are as follows:

**1. Comprehensive Management Centre**

The comprehensive management centre is mainly responsible for the daily administration, labor and personnel, comprehensive coordination, logistics support, party affairs discipline inspection, petition processing, daily administrative work, formulating and supervising the implementation of various rules and regulations, daily labor and personnel management, comprehensive supervision of decisions and matters assigned by the municipal party committee and the city government, logistics support work, material procurement, vehicle management, dispatching, network maintenance, responsible for the political theory study, corporate culture construction and establishing the company’s human resources archive database.

## **2. Financial Management Centre**

The financial management centre is mainly responsible for the company's financial management and fund management, including the daily financial accounting management, participating in the operation and management, docking, coordination, and guidance of the wholly-owned and holding companies' financial work, and timely and complete financial consolidation reports, research and promotion of enterprise group financial management, preparation of financial reports and final accounts reports, budget plan, provide various financial statements in a timely manner, conduct regular financial analysis, and provide a basis for leadership decision-making, responsible for the external submission of financial information and submit relevant statistical information in accordance with regulations, management of the transfer of the Issuer's state-owned equity, Issuer's operating performance assessment and total salary declaration, fund lending management, management of ownership certificates and financial accounting files, collection and disposal of company-managed assets (historical state-owned claims) and cooperating with internal audit work.

## **3. Engineering Management Centre**

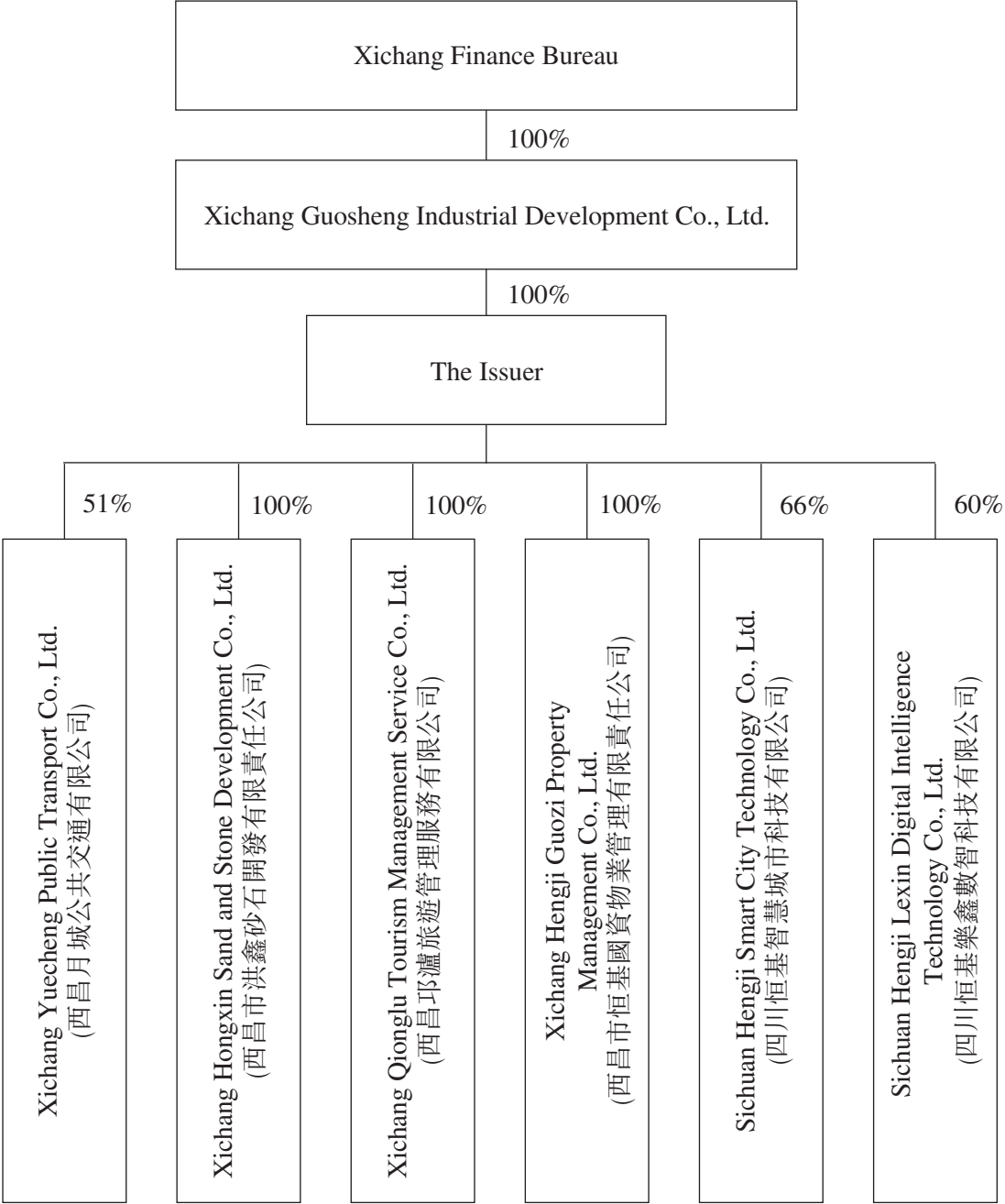
The engineering management centre is mainly responsible for the policy processing, construction management, and post-project maintenance of special supporting construction and government investment projects (including agency construction projects), project planning and project approval, group project drawing scheme design, scheme review, preliminary design, preliminary design review, and construction drawing design management, formulation and implementation of infrastructure construction plans and review and approval of construction projects, preliminary work of project implementation (including land acquisition), demolition, third-line relocation and above-ground attachment policy processing, project quality management, construction progress, safety management, and cost control of construction projects within the jurisdiction, and handling safety accidents, construction application and construction permit of municipal construction projects within the jurisdiction responsible for organizing construction site management, professional and technical briefings and joint review of drawings, completion acceptance and filing of construction projects, repair and maintenance of gardens, greening, municipal administration, sanitation and other public facilities within the jurisdiction.

## **4. Asset Operation Centre**

The asset operation centre is mainly responsible for market expansion and daily management, real estate project transfer, management and processing of fixed assets, coordination of related property maintenance, all land and real estate management of the Issuer, handling land and real estate certificates, property rights management and major capital structure adjustment, major asset disposal, acquisition of government assets and market development planning, coordinating the handover of real estate projects, coordinating fixed assets, responsible for security, cleaning, monitoring and other property management work, auction of the Issuer's fixed assets, leasing and asset reception and transfer, planning, development, operation, and management of the company's operating assets, market research and feasibility studies on the development and utilization of the operating assets, providing basis and basic materials for the decision-making, and handling coordination with government departments such as industry and commerce, taxation, the formulation of implementation plans for the business projects, announcement and bidding work, and the drafting, review, signing, and archiving of contracts, organizing and implementing the registration and change of state-owned assets property rights, drafting various contract agreements and implementing contract execution and fees collection work, formulate business plans and organise the implementation, formulating and improving relevant working rules for business management.

**CORPORATE STRUCTURE**

The following table presents a simplified corporate structure of the Issuer Group as at the date of this Information Memorandum:



## **RISK MANAGEMENT**

In accordance with the provisions of the Company Law of the PRC and other relevant laws and regulations, the Issuer has established a risk management system to ensure compliance with regulatory requirements and to implement risk control measures to lower operational and investment risks. In order to strengthen internal management, the Issuer carried out system planning and design to support the Issuer's corporate governance structure, and established and improved a series of internal control systems. The systematic approach adopted by the Issuer Group has helped the Issuer Group to manage its business in a disciplined manner.

### **Financial Management**

The Issuer has established a sound financial management system, with clear process systems and regulations for budget management, cash management and expense management, and has refined each financial position to clarify the scope of responsibilities. The Issuer has been strictly abided by the financial management system in its daily work, strengthened the standardisation and supervision of financial expenditure reimbursement procedures, and has been continued to improve the level of financial management.

### **Financing Management**

In making its investment and financing decisions, the Issuer has formulated the approval process, implementation process and management system for the financing plan to strengthen the control of financing business, reduce financing costs, effectively prevent financing risks, and safeguard the overall interests of the Issuer. The Issuer has established an investment and financing work leading group, with more than four members (including one financial person in charge), responsible for the review of the Issuer's financing plan and the inquiry of financing activities. Professional management and step-by-step approval system are implemented for the Issuer's financing activities. The general manager's office of the Issuer is the decision-making body for financing, which makes decisions on the Issuer's financing activities within its scope of authority. No other department or personnel of the Issuer has the right to make decisions on external financing. Personnel responsible for handling financing business shall have necessary professional knowledge of financing business and good professional qualities, and be familiar with relevant national laws and regulations and securities and financial businesses. The Issuer will conduct regular and irregular audits of financing activities.

### **Guarantee Management System**

The Issuer has formulated the Guarantee Management System, which provides specific provisions on guarantee objects, guarantee conditions, guarantee procedures, guarantee management and risk control. The Issuer's provision of guarantees must be reviewed and approved by the its executive Director or the State-owned Assets Supervision and Administration Bureau, and the Issuer's executive Director must sign the guarantee contract. The Issuer has strictly controlled guarantee risks and reduces or prevents economic losses in the provision of guarantee.

## **Related Party Transaction Management System**

In order to regulate its own related-party transactions, the Issuer strictly manages its related-party transactions in accordance with the relevant provisions of the Company Law of the PRC and the relevant rules issued by the MOF. The Issuer's functional departments implement various regulations on related-party transactions according to their respective functions.

The principles followed by the Issuer in the pricing of the related transactions include: (1) if the subject matter for the transaction is subject to government pricing, the price can be directly applied; (2) if the subject matter of the transaction is subject to government guidance prices, the transaction price can be reasonably determined within the scope of the government guidance price; (3) in addition to government pricing or government guidance prices, if the subject matter of the transaction has comparable market prices or charging standards of independent third parties, the price can be determined with priority with reference to such prices or standards; (4) if there is no comparable independent third-party market price for related matters, the transaction pricing can be determined with reference to the price of non-related transactions between related parties and third parties independent of related parties; and (5) If there is neither an independent third-party market price nor an independent non-related transaction price for reference, a reasonable component price can be used as the basis for pricing, and the component price is reasonable cost plus reasonable profit.

In the course of operation and management, if the Issuer's business departments encounter transactions with related parties or intend to conduct transactions with related parties, the relevant departments must report the relevant related transaction information (i.e., the names and domiciles of the parties to the transaction, the specific content and amount of related transactions, the transaction price, the principles and basis for pricing, the necessity of the transaction, etc.) to the Finance Department. After receiving the report, the Finance Department should promptly review the related-party transactions, and submit the same to the executive Director for review on the necessity, rationality, and fairness of pricing of such related-party transactions.

## **Safety Production Management System**

The Issuer attaches great importance to safety production management. In order to strengthen the Issuer's safety production supervision and handle safety production accidents in a timely and effective manner, the Issuer has established a safety production management mechanism with unified management, division of labour and cooperation, overall planning and positive interaction. The Issuer regularly carries out safety education and training to improve the safety awareness of all employees and actively implements various safety management measures to ensure the normal production and operation order.

## **Emergency Response Mechanism**

The Issuer has established a relatively complete and reasonable emergency response mechanism. The emergency response leading group is the executive director, and it follows unified command, orderly organisation, clear division of labour, regional coordination, and strong protection, to carry out emergency response work based on the principle of timely information. In addition, the Issuer takes preventive measures against factors that may cause emergencies, and strives to provide timely reminders and early control in the early stage of the incident.



## **Information Disclosure System**

In order to standardise the Issuer's information disclosure management system, improve the Issuer's information disclosure management level and information disclosure quality, and protect the legitimate rights and interests of investors, the Issuer has formulated the "Xichang Haihe Cultural Tourism Investment and Development Co., Ltd. Information Disclosure Management System for Non-financial Enterprise Debt Financing Instruments (《西昌海河文旅投資發展有限公司非金融企業債務融資工具信息披露事務管理制度》)" according to the "Measures for the Administration of Debt Financing Instruments of Non-Financial Enterprises in the Interbank Bond Market (《銀行間債券市場非金融企業債務融資工具管理辦法》)" issued by the PBOC, the "Information Disclosure Rules for Non-financial Enterprises' Debt Financing Instruments in the Inter-bank Bond Market (2021 Edition) (銀行間債券市場非金融企業債務融資工具信息披露規則(2021版))" issued by the National Association of Financial Market Institutional Investors and relevant laws and regulations. The Financial Management Centre is the daily management department for information disclosure matters. The information disclosure work is led and managed by the person in charge of information disclosure affairs, and the Financial Management Centre is the department handling the daily work for information disclosure affairs management. The person in charge of information disclosure is responsible for organising and coordinating information disclosure related work on debt financing instruments, accepting investor inquiries, and maintaining investor relations.

## **Major Investment and Financing Decision-Making System**

In order to strengthen corporate governance, ensure the scientific nature of the Issuer's operating decisions, and reduce risks that may arise from decision-making errors, the Issuer has formulated a major investment and financing decision-making mechanism. The mechanism delineates the scope of investment and financing matters and stipulates the procedures and processes for the Issuer's investment and financing decisions, clarifying the scope of relevant investment plans, review and approval of investment projects, establishing and improving the fund management organisational system, and standardising the entire process management of fund raising and investment operations.

## **Internal Control System for Assets, Finance and Personnel of Subsidiaries**

The relationship between the Issuer and its subsidiaries is that of investor and investee. The Issuer fulfills the rights and obligations of investors. Each subsidiary is an independent legal person institution established in accordance with the Company Law of the PRC and has established independent management systems and internal control mechanisms, and has relatively independent business management and financial management models. The Issuer shall, in accordance with the relevant provisions of the Company Law of the PRC and other laws and regulations, participate in the shareholder meetings and board of directors of its subsidiaries, and exercise corresponding shareholder rights in accordance with its relevant shareholding interests. In order to implement the Issuer's overall development strategy and business philosophy in its holding subsidiaries, standardise corporate management, promote and improve the corporate governance structure, and protect the legitimate rights and interests of the Issuer and other shareholders, the Issuer has established a major information reporting mechanism and requires subsidiaries to promptly provide the Issuer with information that may have a significant impact on the Issuer or that is required by the Issuer to achieve effective control and management of its subsidiaries and strengthen the management and control of its assets and finances.

The Issuer will timely revise and supplement the internal control system according to the needs of business development and internal organisational adjustment, improve the effectiveness and operability of the internal control system, effectively control operating risks and financial risks, and accurately provide the Issuer's management and financial information in order to ensure the sustainable, steady and rapid development of the Issuer's production and operations.

## **DESCRIPTION OF THE ISSUER GROUP'S BUSINESSES**

The Issuer Group is an important construction entity for the economic construction and urban operations in Xichang City. It is wholly-owned by Xichang Guosheng Industrial Development Co., Ltd. (西昌國盛實業發展有限公司), and is ultimately controlled by Xichang Finance Bureau (西昌市財政局).

The Issuer Group's operation and investment primarily focus on six major business segments, namely (i) building materials sales, (ii) scenic spot operation and maintenance services, (iii) urban transportation services, (iv) house rental and property management services, (v) travel services and (vi) other services. Each of such businesses occupies an important position in the related industries in Xichang City.

### **Building Materials Sales**

#### *Overview*

For the year ended 31 December 2022, the Issuer Group's main business revenue from the building materials sales business segment was generated from sand and gravel sales and steel sales.

#### *Business model*

##### *Sand and gravel sales*

Hongxin Sand, a wholly-owned subsidiary of the Issuer, being the sole holder of the Xichang City River Sand Mining License, is responsible for the unified organisation of mining and sales of sand and gravel resources within the scope of Xichang City, and the underground sand and gravel resources mined within the red line of Xichang City construction project parcels, river dredging and water conservancy construction projects, and the operation and management work of taking over, processing and selling sand and gravel resources. The Issuer has obtained the river sand mining license since September 2009. As the license was valid for one year, the Issuer is required to apply for a new river sand mining license every year.

The Issuer has adopted a light-asset production model. For the production sites and equipment of the sand field, the Issuer leases the sand-making equipment, machinery and sites of a third party in the form of operating lease, and the lessor is responsible for the maintenance of machinery and environmental protection equipment, daily equipment maintenance and replacement of spare parts, and agrees on the unit price of the rental fee, and calculates the monthly rental fee based on the actual total amount of sand and gravel sold each month. The machinery and equipment currently used in each sand field include sand making machine, jaw crusher, sand agitator, filter press, vibrating screen, feeder, etc. Although the Issuer Group does not have ownership, the sand field operation rights belong to the Issuer Group, and the legal documents such as the sand field environmental protection approval are handled by the Issuer Group as the owner. The Issuer Group is currently the only legal sand field operator in the area. Even if it leases the site and equipment from a partner, the relevant business license for the sand field is legally handled in the name of the Issuer Group. If there is no Issuer Group, the partner cannot carry out production with only the site and equipment. When selecting the lessee, the Issuer Group has comprehensively considered the other party's management experience, production technology, location of the site and other factors, and referred to the evaluation of the rental price by the appraisal agency designated by the government department, and selected a suitable partner from a number of potential partners. The Issuer Group has formulated a strict sand field operation and management system, involving sand field dust, material collection, inspection and other sand and gravel production business-related systems to strengthen the management assessment of partners.

The sand and gravel resources owned by the Issuer are mainly gravel (including gravel of 0.5-1 cm, 1-2 cm, 1-3 cm, 2-4 cm), sand (including washing sand, pumping sand, machine-made sand and red sand) and other categories (including sand, gravel, rubble, gravel, etc.), with a total resources reserves of 185.2 million metres. The sand and gravel resource development and utilisation area of the Issuer is a relatively stable area of quaternary simple engineering geology. The river valley is wide and there is no danger of adverse physical geological phenomena.

The costs of sand and gravel sales business mainly includes procuring costs of sand and gravel, equipment costs, rental site costs, transportation costs, labour costs and other costs. The equipment cost includes the loss cost and maintenance cost of various machines and equipment in the production line; the labour cost includes the office expenses (salaries and others) of sand field personnel; and other costs include safety expenses, environmental protection expenses, bidding fees, etc.

The Issuer Group's sand and gravel resources are mainly obtained through (i) river mining and dredging, (ii) underground sand and gravel resources mined within the red line of the government's commercial land parcels, (iii) surplus sand and gravel resources for government engineering projects purchased and stored by the Issuer and (iv) market-based purchase when the above raw materials cannot meet its production demand.

The Issuer Group's top five upstream suppliers for the sand and gravel sales for the years ended 31 December 2021 and 2022 are as follows:

		<b>For the year ended 31 December 2021</b>		
<b>No.</b>	<b>Company name</b>	<b>Amount incurred</b>	<b>Proportion (proportion to the total amount incurred)</b>	<b>Type of main products procured</b>
		<i>(RMB million)</i>	<i>(%)</i>	
1	Chongqing Iron and Steel Xichang Mining Co., Ltd. (重鋼西昌礦業有限公司) . . . . .	11.8	17.7	Sand and gravel
2	Xichang Lexian Building Materials Co., Ltd. (西昌市 樂賢建材有限公司) . . . . .	7.1	10.8	Sand and gravel
3	Yanyuan County Zhengchuan Mining Co., Ltd. (鹽源 縣正川礦業有限公司) . . . . .	4.6	7.0	Sand and gravel
4	Xichang Langhuan Jinxin Building Materials Co., Ltd. (西昌市琅環金鑫建材有限公司) . . . . .	5.7	8.5	Sand and gravel
5	Xichang Hongzeyuan Trading Co., Ltd. (西昌市宏澤 源貿易有限公司) . . . . .	5.2	7.9	Sand and gravel
<b>Total</b> . . . . .		<b>34.4</b>	<b>51.8</b>	

		<b>For the year ended 31 December 2022</b>		
<b>No.</b>	<b>Company name</b>	<b>Amount incurred</b>	<b>Proportion (proportion to the total amount incurred)</b>	<b>Type of main products procured</b>
		<i>(RMB million)</i>	<i>(%)</i>	
1	Liangshan Zhouquan Building Materials Co., Ltd (涼 山州厚全建築材料有限公司) . . . . .	44.2	20.6	Sand and gravel from Qingshu Barley
2	Xichang Langhuan Jinxin Building Materials Co., Ltd. (西昌市琅環金鑫建材有限公司) . . . . .	19.6	9.1	Sand and gravel from Heisha River
3	Liangshan Ruichen Building Materials Co., Ltd. (涼 山州瑞晨建材有限公司) . . . . .	17.4	8.1	Sand and gravel
4	Xichang Hongzeyuan Trading Co., Ltd. (西昌市宏澤 源貿易有限公司) . . . . .	15.8	7.3	Sand and gravel
5	Chongqing Iron and Steel Xichang Mining Co., Ltd. (重鋼西昌礦業有限公司) . . . . .	14.1	6.6	Mineral sand and from Taikui Tailings
<b>Total</b> . . . . .		<b>11,112.18</b>	<b>51.7</b>	

The Issuer's top five downstream customers for the sand and gravel sales for the years ended 31 December 2021 and 2022 are as follows:

No.	Company name	For the year ended 31 December 2021		Type of main products sold
		Amount incurred	Proportion (proportion to the total amount incurred)	
		(RMB million)	(%)	
1	Xichang Aerospace Hongda Building Materials Co., Ltd. (西昌市航天宏達建材有限公司) . . . . .	24.4	10.0	Sand, gravel, guar stone, etc.
2	China Railway 17th Bureau Group Construction Engineering Co., Ltd. (中鐵十七局集團建築工程有限公司) . . . . .	14.4	5.9	Sand, gravel, guar stone, etc.
3	Liangshan Zhou Chuangfeng Trading Co., Ltd. (涼山州創峰商貿有限公司) . . . . .	11.4	4.7	Sand, gravel, guar stone, etc.
4	Sichuan Kaishun Industrial (Group) Co., Ltd. (四川開順實業(集團)有限公司) . . . . .	10.8	4.4	Sand, gravel, guar stone, etc.
5	Xichang Jiayang Building Materials Co., Ltd. (西昌市佳洋建材有限公司) . . . . .	9.5	3.9	Sand, gravel, guar stone, etc.
<b>Total</b> . . . . .		<b>70.6</b>	<b>28.8</b>	

No.	Company name	For the year ended 31 December 2022		Type of main products sold
		Amount incurred	Proportion (proportion to the total amount incurred)	
		(RMB million)	(%)	
1	Xichang Aerospace Hongda Building Materials Co., Ltd. (西昌市航天宏達建材有限公司) . . . . .	40.6	16.4	Gravel, machine-made sand
2	Liangshan Zhou Mingjun Trading Co., Ltd. (涼山州明俊商貿有限公司) . . . . .	23.2	9.4	Gravel, guar mi stone, machine-made Sand
3	Liangshan Muyang Trading Co., Ltd. (涼山州沐陽商貿有限公司) . . . . .	6.8	2.8	Gravel, medium sand
4	Liangshan Wangji Trading Co., Ltd. (涼山州旺吉商貿有限責任公司) . . . . .	5.9	2.4	Gravel, guar mi stone, machine-made Sand
5	Liangshan Zhou Chuangfeng Trading Co., Ltd. (涼山州創峰商貿公司) . . . . .	5.8	2.4	Gravel, machine-made sand, medium sand
<b>Total</b> . . . . .		<b>82.2</b>	<b>33.3</b>	

### *Steel sales*

The Issuer Group's steel sales business is mainly carried out by the Issuer. The Issuer Group determines the procurement volume with reference to the downstream demand based on the principle of determining purchase based on sales.

In respect of the sales of coiled screws and rebar products, for the procurement side, the Issuer signed a framework agreement in relation to the steel purchase and sales with its upstream suppliers, Xichang Shunchang Industrial Co., Ltd. (西昌市順昌實業有限公司) and Xichang Hongtai Metal Co., Ltd. (西昌宏泰金屬有限公司). For the sales side, the Issuer signed a framework agreement in relation to the steel purchase and sales with its downstream customer, Xichang Guorui New Building Materials Development Co., Ltd. (西昌國瑞新型建材開發有限公司). Specific information for the procurement and sales such as product name, brand, specification model, manufacturer, quantity shall be confirmed in the "Settlement Statement" as confirmed by both parties. As for pricing, the purchase price shall be determined based on the last online price in the Chengdu market published by Adata on "My Steel Network (《我的鋼鐵網》)" on the day of arrival and delivery of the products to the construction site, with a premium of RMB40 per ton for the procurement side and a premium of RMB43 per ton for the sales side.

In respect of the sales of scrap steel and other renewable resource products, the Issuer and the upstream supplier Xichang Dechuang Renewable Resources Co., Ltd. (西昌德創再生資源有限公司) signed a sales framework agreement. The major products procured are scrap steels and waste papers and the unit price shall follow the market rate and base on the unit price for settlement as negotiated by both parties subject to the net settlement weight of the actual quantity of the products delivered. The supplier, Xichang Dechuang Renewable Resources Co., Ltd. (西昌德創再生資源有限公司) shall be deemed to have fulfilled its delivery obligation when it transports the scrap steel and waste paper to the location designated by the Issuer. All transportation, loading and unloading costs incurred before the delivery of scrap steel and waste paper have been included in the settlement unit price and all risks shall be borne by upstream suppliers. Goods logistics are delivered directly from the upstream and downstream without the involvement of the Issuer. The Issuer signed a Scrap Purchase Contract with the downstream customer, Hebei Yanshan Iron and Steel Group Co., Ltd. (河北燕山鋼鐵集團有限公司), at the sales price as determined on a cost-plus basis (i.e. procurement costs plus RMB3 per ton).

The Issuer's steel sales business adopts a spot and cash settlement model. The suppliers will issue settlement statement based on the actual arrival specifications, quantities and corresponding unit prices. The buyer shall settle the invoice in cash and the general settlement cycle is around 7 to 14 days.

## Scenic spot operation and maintenance services

### *Overview*

The Issuer Group's scenic spot operation and maintenance services is mainly operated by its subsidiary, Qionglu Tourism. The revenue from the scenic spot operation and maintenance services of the Issuer Group mainly includes revenue from scenic spot ticket revenue and operation and maintenance management services of scenic wetland.

### *Business Model*

#### *Scenic spot management services*

According to the Qionghai Wetland Scenic Area Operation Project Authorization Agreement (《邛海濕地景區經營項目授權經營協議書》), Qionglu Tourism is entrusted by the Qionghai Lushan Scenic Area Administration Bureau (“**Qionglu Administration Bureau**”) as the collection and management body of the ticket revenue for the Qionghai Wetland Scenic Area. Qionglu Tourism is responsible for the organisation and collection of ticket revenue from Qionghai Wetland Scenic Area and is required to pay all the funds received from the ticket sales received to Qionglu Administration Bureau every year. Since Qionglu Tourism has a large demand for funds for the construction and maintenance of scenic spots, Qionglu Administration Bureau will return all the funds received from the ticket sales as service fees to Qionglu Tourism. The management of domestic scenic spots generally adopts the “two lines of revenue and expenditure” model. Although the aforementioned ticket revenue should be turned over to the Qionglu Administration Bureau, which will then return all the ticket funds as service fees to the Qionglu Tourism, such revenue is not recognised as the revenue from the government.

In order to give full play to the core driving role of the scenic spot, solidify and promote the golden sign of Tianfu as a famous tourist county, promote the integration, transformation and upgrading of Xichang's culture and tourism, and lead the improvement of the quality and efficiency of the county economy. The Issuer Group is actively implementing the tasks of building the “Plum Garden” and “Chrysanthemum Garden” and opening the Qionghai Night Flight to enhance the tourism functions and tourist attractions of the Qionghai Wetland Scenic Spot. In accordance with the overall layout of “one mountain”, “one water” and “one city”, the Issuer Group will develop in an orderly manner based on existing achievements and create a new model for the integration of culture and tourism, as well as the integration of culture and sports such as Qionghai Sailing Boat, Wetland Marathon and other highlight industries, and relying on wetland resources for the organization of sightseeing tours. The Issuer Group will increase its publicity and marketing efforts in the future to achieve a new chapter in the development of all-region tourism.

#### *Operation and maintenance management services of scenic wetland*

According to the Qionghai Wetland Park Operation Agreement (《邛海濕地公園運營協議》), Xichang State-owned Assets Management Co., Ltd. (西昌市國有資產經營管理有限責任公司) handed over the wetland management rights to Qionglu Tourism for exclusive operation and maintenance. The wetland assets transferred include phase I to VI, wetland hot spring hotel, wetland training center and other assets. The income rights of the city operation and maintenance fees corresponding to the wetland assets were also transferred to Qionglu Tourism.

According to the Business Framework Agreement between Xichang State-owned Assets Management Co., Ltd. and Xichang Qionglu Tourism Management Service Co., Ltd. on the Payment of City Operating Subsidy Fees (西昌市國有資產經營管理有限責任公司、西昌邛瀘旅游管理服務有限公司關於支付城市運營補貼費用的業務框架協議) (the “**Business Framework Agreement**”), pursuant to which the operation and maintenance of wetlands and other related assets undertaken by Qionglu Tourism and the revenue is recognised annually based on the payment of the city operating expenses to Qionglu Tourism by Xichang State-owned Assets Operation and Management Co., Ltd. with reference to the confirmed entry value of wetlands and other related assets. The Business Framework Agreement has stipulated the matters in relation to operation, maintenance and management of wetlands and other related assets. According to the Business Framework Agreement, the pricing of the operating expenses should be determined based on the initial entry value of wetlands and other related assets. Regarding the initial entry value, Qionglu Tourism may hire a third-party appraisal agency to issue a professional appraisal report to determine the asset value. The operating subsidy standard is 7.5% of the recorded value of wetlands and other related assets to pay annual operation and maintenance expenses. The period of income rights enjoyed by Qionglu Tourism is 17 years from 2021, being the year of transfer of the income rights to Qionglu Tourism.

Details of the revenue of the Issuer Group from the operation and maintenance of wetland assets for the year ended 31 December 2022 are as follows:

<b>Asset name</b>	<b>Asset value</b>	<b>Provision ratio</b>	<b>Recognised income (tax included)</b>
Wetland Phase I, II and III assets. . . . .	1,410.2	7.5%	105.8
Wetland Hot Spring Hotel. . . . .	1,060.7	7.5%	79.6
Wetland Phase VI assets. . . . .	897.6	7.5%	67.3
<b>Total. . . . .</b>	<b>3,368.5</b>		<b>252.6</b>

For the year ended 31 December 2022, the wetland asset operation and maintenance costs of the Issuer Group mainly consisted of fixed asset depreciation, intangible asset amortisation, etc., which amounted to approximately RMB183.5 million and RMB0.5 million, respectively.

## **Urban Transportation Services**

### *Overview*

The urban transportation service business is one of the Issuer’s main businesses and also its main focus. The urban transportation service includes, among others, the bus passenger transport business and taxi business. In recent years, as the Xichang Municipal Party Committee and Xichang People’s Government have further intensified the efforts to prioritise the development of public transportation in Xichang City, the Issuer Group has actively implemented the requirements and standards set by the Xichang People’s Government for the development of urban public transportation, and has made great efforts in the optimisation of public transport network, vehicle allocation and site development.



## ***Business Model***

### *Public transport business*

The Issuer Group's public transport business is operated by the subsidiary of the Issuer, Yuecheng Public Transport. Yuecheng Public Transport is responsible for the public transportation in Xichang City and the 26 villages and towns governed under Xichang City. Yuecheng Public Transport is the only public transportation operator in the downtown area of Xichang.

Yuecheng Bus possesses the license for public transport operation. The Issuer Group's license for public transport operation includes public transportation in both urban and rural areas. As at 31 December 2022, Yuecheng Public Transport had 406 operating vehicles and 42 operating routes. For the year ended 31 December 2022, the operating mileage of Yuecheng Public Transport was 25.2 million kilometres and with a passenger volume of 19.6 million. For the years ended 31 December 2021 and 2022, the details of the operation of the public transport business of the Issuer Group are as follows:

<b>Operating Indicators</b>	<b>2021</b>	<b>2022</b>
Number of operating vehicles at the end of the year . . . . .	369	406
Number of the routes of public transports as at the end of the year . . . . .	18	43
Operating mileage (10,000 kilometers) . . . . .	2,589.0	2,521.7
Annual passenger volume (10,000 passengers) . . . . .	5,243.3	4,531.4

The revenue from the public transport business mainly comes from fares. There are two main ways to settle the transportation fares: one is for passengers to pay directly by inserting coins or using APP, Alipay, UnionPay and other methods; and the other is for using IC cards for public transportation or one-stop city cards. The cost of public transport business mainly consists of labour cost, vehicle depreciation, fuel cost, vehicle insurance premium, repair fee, etc.

Public transportation operation mainly involves public interests, and its pricing is therefore dominated by the government, and the degree of marketisation is low. The transportation fares for the operating routes of Xichang City are relatively low. As fuel prices and labour costs gradually rise, fares have not been adjusted accordingly, resulting a policy loss where the transportation fare revenue not being able to cover the costs.

Since 2019, Yuecheng Public Transport has achieved a turnaround from losses to profits as the passenger flow increased and with an expanding business scale, and the Issuer Group has also lowered the labour costs after operating management and replaced some diesel vehicles which have led to the declined fuel costs. However, the revenue for the year ended 31 December 2020 declined due to the impact of the COVID-19 epidemic. In order to make up for the losses in the public transport business, the Xichang People's Government allocated certain subsidies to Yuecheng Public Transport annually, including fuel subsidies, new energy subsidies, policy loss subsidies, etc., to ensure the normal operation of the business.

In terms of the construction for public transportation, Yuecheng Public Transport currently has 5 bus stations, namely Shengli North Road Bus Parking Lot, Bus Exchange Station, Chuanxing Parking Lot, Yuanjiashan Parking Lot and Xichang Youjun Station. In accordance with the guiding spirit of the Provincial Department of Transportation, Yuecheng Public Transport will actively expand rural transportation in the future. For the years ended 31 December 2021 and 2022, the details of the operation of the public transport stations of the Issuer Group are as follows:

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2022</b>
Number of stations . . . . .	5	5
Floor area (square metres). . . . .	66,517.53	66,517.53
Number of vehicles that can be parked . . . . .	300	300

The Issuer Group’s public transport business enjoys the regional monopoly, and the subsidy from the government is expected to continue to provide relatively favourable support in terms of operations. The Issuer Group’s public transport business will therefore maintain a strong competitive advantage.

*Taxi business*

The taxi business of the Issuer Group is operated by Xichang Yuecheng Taxi Co., Ltd. (西昌月城出租汽車有限公司) (“**Yuecheng Taxi**”), which is a non-wholly owned subsidiary indirectly owned as to 51% by the Issuer. For the year ended 31 December 2022, the Issuer Group has 450 taxis with a total passenger flow of 45.3 million. Its main business is in Xichang City and various towns under its jurisdiction. The revenue of taxi business is mainly generated from collecting taxi rental contract fees. Since 2021, the Issuer adopts the contracting model as the operating model, that is, the driver contracts the taxi and pays Yuecheng Taxi a fee of RMB180/day per taxi. Yuecheng Taxi is not responsible for the driver’s salary and employee insurance.

The Issuer Group has been focusing on the development of suburban taxi passenger transport services in Xichang. With the development of Qionghai tourism industry sector and the development and construction of new urban areas, it is expected that the demand for taxi services will continue to increase, and the Issuer Group will continue to expand the scale of existing vehicles and improve the operation.

**House Rental and Property Management Services**

*Overview*

The Issuer’s house rental and property management services business is mainly operated by the Issuer and its indirect subsidiary, Xichang Hengji, and its secondary subsidiaries, including Xichang Haimen Fishing Village Management Co., Ltd. (西昌海門漁村經營管理有限責任公司), Xichang Gaojian Tuanjie Resettlement New Village Management Co., Ltd. (西昌市高枧團結安置新村經營管理有限責任公司), which are responsible for different regions, respectively.

The revenue of the house rental business mainly derived from the management fees generated by the Haihe Tianjie facade houses (海河天街門面房), four operating resettlement housing communities and the rental of facade houses and shops on behalf of Xichang State-owned Assets Management Co., Ltd.

The revenue of the property management services business mainly derived from property management services for 13 resettlement communities within Xichang City, including parking lot management, house maintenance, community environment cleaning, etc.

### ***Business Model***

Among the leased assets, the Haihe Tianjie facade houses (海河天街門面房) is an investment real estate injected free of charge into the Issuer by its then shareholder, Xichang State-owned Assets Management Co., Ltd. in 2016. Haihe Tianjie (海河天街) is a commercial and leisure street integrating restaurants, inns, bars in Xichang City. The total construction area of the buildings is 44,300 square metres. The tenants in the area are mainly small and medium-sized enterprises and individuals, and also include a few administrative units. The rental ranges widely depending on the location, area and use of the house. The rent ranges from RMB20.0 per square metre to RMB160.0 per square metre. The standard of the rents is uniformly priced once a year, and the monthly rent shall be paid by way of “paying three months of rent with one month of deposits” or “paying three months of rent with one month of deposits”. The rents are mainly settled quarterly.

The resettlement houses in the four commercial communities are mainly Yuanjiashan Jinyuan (袁家山錦苑), Xuefuyuan (學府苑), Gaojiayuan (高梘家園), Hancheng New Home (漢城新居) and other properties. The Issuer and Xichang State-owned Assets Management Co., Ltd. signed a lease agreement for a term of one year, for such resettlement houses and Xichang State-owned Assets Management Co., Ltd. shall rent to third parties.

The storefronts and shops rented out by the Issuer’s former shareholder Xichang State-owned Assets Management Co., Ltd. are mainly responsible for Hengji Properties (恒基物業) and its affiliated operating companies. Such storefronts and shops are not the Issuer Group’s assets. According to the negotiation between the parties, a certain management fee based on 10%-20% of the rental income will be charged.

The Issuer mainly provides property management services for 13 resettlement communities within Xichang City which is entrusted by the Xichang People’s Government. The services mainly include parking lot management, house maintenance and community environment cleanup. The property fee charging standard is RMB0.5-1.8 per month per square metre, which is usually collected on a quarterly basis. According to different community conditions, there may be pre-collection of property fees and quarterly payment of property fees.

The costs for the house rental and property management business mainly include property management and custody costs, public area security, cleaning, maintenance and decoration, and personnel wages, where the revenue from the house rental and property management business derived from investment real estate was measured at fair value and no depreciation is accrued. Xichang State-owned Assets Management Co., Ltd. only charges property management fees for the storefronts and shops. Due to the low property charges in some resettlement communities, Xichang People’s Government provides certain subsidies every year based on the revenue derived from the house rental and property management business. Overall, the house rental and property management business has been operating in good condition and provided a positive influence to the Issuer Group’s revenue.

## **Tourism Services**

### ***Overview***

The Issuer Group's tourism service business is operated by its subsidiaries, Qionglu Tourism and Xichang Qionghai Cruise Operation Co., Ltd. (西昌邛海遊船運營有限責任公司) (“**Qionghai Cruise**”). Qionglu Tourism mainly focuses on the ticket sales of Qionghai Wetland Scenic Area (邛海濕地景區), tourism services for operating projects in the scenic area, and the construction and maintenance of the scenic area. Qionghai Cruise is mainly responsible for the operation of cruise ships in the scenic area. Revenue of the tourism service includes revenue from scenic area operations such as tour bus and cruise ship operations, tour guide explanations, and pre-packaged food sales in the Qionghai Wetland Scenic Area.

### ***Business Model***

Qionglu Tourism has the right to operate the Qionghai Wetland Scenic Area for 40 years, and is mainly responsible for the construction and maintenance of the scenic area. It also has the right to charge for tour buses, boat tickets, parking lots and other service items in the Qionghai Wetland Scenic Area. Qionglu Tourism is mainly engaged in tourism service businesses such as tour bus and cruise ship operations, tour guide explanations, and pre-packaged food sales in the Qionghai Wetland Scenic Area.

With the rise of tourism industry of Xichang, the number of tourists in the Qionghai Wetland Scenic Area has grown rapidly. In addition, the Issuer Group has invested in and constructed multiple projects such as the “Guanniao Island Wetland Restoration Project” (觀鳥島濕地恢復工程) and the “Mengli Water Town Restoration Project” (夢裡水鄉恢復工程) to improve the infrastructure of the scenic area and the quality of scenic tourism. The construction of such projects mainly includes wetland management, scenic area greening, scenic roadbed, road surface and rainwater pipeline construction, leisure trail paving and signage installation. The Xichang Finance Bureau will provide the Issuer Group with certain subsidies for the Issuer Group's related expenses for the construction and maintenance of scenic spots.

The Issuer Group's scenic spot operation tourism service business is highly dependent on the market condition of tourism industry of Xichang.

### ***Other Services***

The revenue of the Issuer Group's other service business income mainly derives from advertising business, scrap sales, etc., and is relatively small in scale.

The advertising business is an ancillary business of the Issuer Group's urban transportation service business and is operated by its subsidiary, Xichang Bus Advertising Media Co., Ltd. (西昌巴士廣告傳媒有限公司). The leasing advertising spaces are mainly the bus stops and buses. As the largest urban transportation entity in Xichang City, the Issuer Group's advertising coverage is large and precise and with a wide audience base. With the Issuer Group's transformation of new energy vehicles and the expansion of new routes, the quality and quantity of advertising will be further improved.

The Issuer Group is the largest urban transportation entity in Xichang City. It is responsible for most of the daily travel and transportation for Xichang City citizens and plays an important role in the development of transportation and local transportation in Xichang City.

## **GOVERNMENT REGULATIONS**

The operations of the Issuer Group are subject to various laws and regulations in the jurisdictions in which it operates. The Issuer Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Issuer Group believes that it is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Issuer Group is not aware of significant problems experienced by any member of the Issuer Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

## **COMPETITION**

Due to the Issuer Group's status as a state-owned entity, the nature of its business and its focus on Xichang City which requires government authorisation and preferential policies, the Issuer Group faces minimal competition within Xichang City. The Issuer Group's main competitors are similar businesses operating in other locations, including both in Xichang City, Sichuan Province and elsewhere in the PRC.

## **EMPLOYEES**

Employees of the Issuer Group participate in various basic pension fund plans and social insurance plans in the PRC whereby the Issuer Group is required to make monthly contributions at defined rates as stipulated by the relevant regulations.

As at the date of this Information Memorandum, the Issuer Group has not experienced any strikes, work stoppages, labour disputes or actions which would have a material adverse effect on its overall business, financial condition or results of operations.

## **INSURANCE**

The Issuer Group maintains a number of insurance policies for each of its business segments consistent with market norms and practices and PRC regulations in China. The Issuer Group purchases and maintains a number of insurance policies for its employees relating to personal injuries resulting from accidents, disability, illness and policies covering medical expenses. The Issuer Group purchases insurance policies relating to employee liability, public liability and property. Consistent with the industry practice, the Issuer Group purchases policies relating to building construction all risks insurance, third party liability insurance, construction materials and equipment insurance.

## **INTELLECTUAL PROPERTY**

The Issuer Group's general policy is to seek intellectual property protection for those inventions and improvements likely to be utilised in its business activities or to obtain a competitive advantage. The Issuer Group relies on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position. The Issuer Group does not have trademark registered in the PRC as at the date of this Information Memorandum.

## **ENVIRONMENT MATTERS**

The Issuer Group's operations are subject to various environmental laws. Compliance with such laws has not had, and, to the Issuer Group's knowledge, is not expected to have, a material adverse effect upon the Issuer Group's capital expenditures, earnings or competitive position. As at the date of this Information Memorandum, to the best knowledge of the Issuer Group, there are no current litigation, arbitration, administrative proceedings or claims, whether pending or threatened, in relation to environment matter, which could have a material adverse effect on the financial condition or results of operations of the Issuer Group or which are otherwise material in the context of this offering.

## **LEGAL PROCEEDINGS AND COMPLIANCE**

As at the date of this Information Memorandum, the Issuer Group has obtained and maintained all permits, licences and certificates which are material to its operations.

The Issuer Group may from time to time become involved in disputes in the ordinary course of business with its suppliers, contractors, government authorities, agencies and other third parties. Some of the Issuer Group's members, associate companies, directors or senior officers have, in the past, been involved in legal proceedings, including claims, investigations, litigation or arbitration.

As at the date of this Information Memorandum, to the best of the Directors' knowledge after reasonable enquiry, there is no pending or threatened litigation, arbitration or claims against the Issuer Group that may have a material adverse effect on its business, financial condition and results of operations.

### **Enforcement Actions**

As at the date of this Information Memorandum, to the best of the Directors' knowledge after reasonable enquiry, the Issuer Group is not subject to any pending or ongoing enforcement actions as judgment debtor by PRC courts that may have a material adverse effect on its business, financial condition and results of operations.

### **Administrative Penalties**

To the best of the Directors' knowledge after reasonable enquiry, the Issuer Group has received no administrative penalties that could have a material adverse effect on its financial condition or results of operations.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF ISSUER

### DIRECTOR

The Issuer does not have a board of directors, but only one executive director. The executive director is appointed by the shareholders of the Issuer and is the legal representative of the Issuer. The term of office for the executive director is three years and may be re-elected. Prior to the expiration of the term of office of an executive director, shareholders of the Issuer may not remove him from the office without reason.

The table below sets out the information relating to the director as at the date of this Information Memorandum:

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Jia Xing (賈星) . . . . .	57	Executive director

**Mr. Jia Xing (賈星)**, born in 1966, is currently the executive director and general manager of the Issuer. He holds a bachelor's degree and is a member of the Communist Party of China. He has successively served as an agronomist and deputy director of research at Liangshan Zhaojue Agricultural Science Institute, the section member and deputy director at Xichang Science and Technology Bureau, the party committee secretary and chairman of the people's congress at Xingsheng Township Party Committee of Xichang City, the director of the management committee at Xichang North Industrial Park, the leader of the preparatory team in Xichang City Taihe Industrial Park, the deputy secretary and director of the party leadership group in the Xichang Municipal Economic, Commerce and Information Bureau, the Xichang municipal party committee's publicity officer deputy minister of the Ministry of Foreign Affairs, the director of the Municipal Party Committee's External Publicity Office, and the director of the information office, the chairman of Xichang State-owned Assets Company, and the executive director and general manager Xichang Haihe Cultural Tourism Investment and Development Co., Ltd. Mr. Jia holds a bachelor's degree.

### SUPERVISOR

The Issuer does not have a board of supervisors, but only one supervisor, appointed by the shareholders of the Issuer. The term of office for supervisors is three years and they can be re-elected based on shareholder resolutions. The company's executive directors, managers, and financial controllers are not allowed to serve as supervisors concurrently.

The following table sets forth the member and details of the supervisor of the Issuer as at the date of this Information Memorandum:

<u>Name</u>	<u>Age</u>	<u>Position/Title</u>
Ding Ruifeng (丁銳鋒) . . . . .	59	Supervisor

**Mr. Ding Ruifeng (丁銳鋒)**, born in 1965, is currently the supervisor of the Issuer. He holds a college degree and is a member of the Communist Party of China. He has successively served as a clerk at Songxin Sugar Factory in Ningnan County, section clerk at the Xichang Municipal Discipline Inspection and Supervision Bureau, deputy section-level organizer in the Organization Department of the Xichang Municipal Party Committee, deputy director in the Xichang Municipal Grain Bureau, party branch of the agency secretary in the Xichang State-owned Assets Company, deputy secretary of the party branch in Xichang State-owned Assets Corporation and the supervisor at Xichang Haihe Cultural Tourism Investment and Development Co., Ltd. Mr. Ding holds a college degree.

## SENIOR MANAGEMENT

The following table sets forth the members and details of the senior management of the Issuer as at the date of this Information Memorandum:

Name	Age	Position/Title
Jia Xing (賈星) . . . . .	57	General manager
Chen Chaoyong (陳朝勇) . . . . .	49	Deputy general manager
Tang Jing (湯靜) . . . . .	43	Deputy general manager
Chen Yang (陳楊) . . . . .	37	Financial manager

**Mr. Chen Chaoyong (陳朝勇)**, born in 1975, is currently a deputy general manager of the Issuer. He is a member of the Communist Party of China. He has successively served as the accountant and director of the Grain and Oil Management Station of Luji District Grain and Oil Management Station, Huidong County, Liangshan Prefecture, Sichuan Province, the accountant of Sichuan Sanxin Tobacco Co., Ltd., and the Huidong Re-curing Factory of Sichuan Sanyi Tobacco Co., Ltd., the chief accountant of the Huidong Re-curing Plant of Sichuan Tobacco Leaf Re-curing Co., Ltd., the deputy section chief of the financial management section of the Huidong Re-curing Plant of Sichuan Tobacco Leaf Re-curing Co., Ltd., the financial director of Xichang Human Resources Development Co., Ltd., and the deputy general manager of Xichang Haihe Cultural Tourism Investment and Development Co., Ltd. Mr. Chen holds a bachelor's degree.

**Ms. Tang Jing (湯靜)**, born in 1981, is currently a deputy general manager of the Issuer. She is a member of the Communist Party of China. She has successively served as the deputy section chief of the Finance Department of Xichang State-owned Assets Corporation, the deputy manager of the Financial Management Department of Xichang State-owned Assets Corporation, and the deputy general manager of Xichang Haihe Cultural Tourism Investment Development Co., Ltd. Ms. Tang holds a bachelor's degree.

**Ms. Chen Yang (陳楊)**, born in 1986, is currently the financial manager of the Issuer. She holds a bachelor's degree in accounting. From September 2010 to August 2020, she worked as an accounting supervisor at Xichang Office of the Sichuan Branch of Xiuzheng Pharmaceutical Group Company Limited (修正藥業有限公司).

For biographical details of **Mr. Jia Xing (賈星)**, See “– Director”.



## REGULATION AND SUPERVISION IN THE PRC

*This section summarises the principal PRC laws and regulations which are relevant to the Issuer Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Issuer Group's business and operations.*

### THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and laws resulting from international treaties entered into by the PRC Government. In general, court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "NPC") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the state administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders. The People's Congresses or their standing committees of the comparatively larger cities may, in light of the specific local conditions and actual needs, formulate local regulations, provided that they do not contradict the PRC Constitution, the national laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and they shall submit the regulations to the standing committees of the People's Congresses of the provinces or autonomous regions for approval before implementation.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

## **THE PRC JUDICIAL SYSTEM**

Under the PRC Constitution and the Law of Organisation of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate courts are organised into divisions similar to those of the basic courts, and are further organised into other special divisions, such as the intellectual property division. The higher level courts supervise the judicial work of the basic and intermediate courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 June 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the competent court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is three years. If a person fails to satisfy a judgment made by the court within the timeframe stipulated in the judgement, the court will, upon application by either party, mandatorily enforce the judgment.

Where a party applies for enforcement of an effective judgment or ruling of a court, if the party against whom enforcement is sought or the property thereof is not within the territory of the PRC, the applicant may apply directly to the foreign court having jurisdiction for recognition and enforcement, or apply to a PRC court for such court to request recognition and enforcement by the foreign court in accordance with the provisions of an international treaty concluded or acceded to by the PRC or under the principle of reciprocity. Where a valid and effective judgment or ruling of a foreign court requires recognition and enforcement by a court of the PRC, a party may apply directly to the intermediate court of the PRC having jurisdiction for recognition and enforcement, or apply to the foreign court for the foreign court to request recognition and enforcement by the PRC court in accordance with the provisions of an international treaty concluded or acceded to by the PRC or under the principle of reciprocity. After examining an application or request for recognition and enforcement of a valid and effective judgment or ruling of a foreign court in accordance with an international treaty concluded or acceded to by the PRC or under the principle of reciprocity, a PRC court shall issue a ruling to recognise the legal force of the judgment or ruling and issue an order for enforcement as needed to enforce the judgment or ruling according to the relevant provisions of the Civil Procedure Law of the PRC if the PRC court deems that the judgment or ruling does not violate the basic principles of the laws of the PRC and the sovereignty, security and public interest of the PRC. If the judgment or ruling violates the basic principles of the laws of the PRC or the sovereignty, security or public interest of the PRC, the PRC court shall not grant recognition and enforcement.

## **REGULATION ON FISCAL DEBTS OF LOCAL GOVERNMENTS**

In accordance with Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見) issued jointly by the PBOC and the CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes.

To strengthen the management of financing vehicles of China's local governments and manage the risks relating to the debts incurred by China's local governments, the State Council issued the Circular on Issues Concerning Strengthening Management of Financing Platform of Local Government (國務院關於加強地方政府融資平台公司管理有關問題的通知) (the “**Circular 19**”) in June 2010. According to Circular 19, all levels of local governments shall clear up the debts of their respective financing platform.

In November 2010, NDRC issued the Notice on Further Regulating Issuance of Bonds by Local Government Financing Vehicles (關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知) (the “**Circular 2881**”). According to Circular 2881, indebtedness of local governments will impact financing platform's issuance of enterprise bonds.

On 21 September 2014, Several Opinions of the State Council on Strengthening the Administration of Local Government Debts (國務院關於加強地方政府性債務管理的意見) (the “**Circular 43**”) was promulgated by the State Council. Circular 43 aims at regulating financing system of local government and the three channels are presented. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds. Since the new Budget Law of the PRC (the “**New Budget Law**”), which took effect on 29 December 2018, social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to State Council for approval, and then included in the budget plan of local governments.

On 11 May 2015, Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by the MOF, the PBOC and the CBRC (關於妥善解決地方政府融資平台公司在建項目後續融資問題意見) (the “**Circular 40**”) was promulgated by the General Office of the State Council. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when the Circular 43 was promulgated.

The key tasks of local governments and banking financial institutions are as followings:

- *Support stock financing needs for projects under construction.* Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. For the loans to the projects under construction of financing platform companies, if the loan contracts with legal effect have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.
- *Regulate increment financing for projects under construction.* Local governments at all levels shall pay close attention to the increment financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capitals such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the increment financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.

- *Administer in an effective and proper manner follow-up financing for projects under construction.* Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies in respects such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- *Improve supporting measures.* Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amount of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

## **REGULATION ON THE ISSUANCE OF FOREIGN BONDS**

The Order 56 have taken effect on 10 February 2023, and relate to the matters listed below:

- **Tighten Requirements for Borrowing Foreign Debts**

The Order 56 has tightened the requirements on the conditions for enterprises to incur foreign debts. Each controlling shareholder and de facto controlling person of an enterprise is required to (i) not have any criminal records relating to corruption, bribery, embezzlement or misappropriation of assets or other criminal offenses that may impede the order of the socialist market economy within the past three years, and (ii) not be the subject of lawful investigation for criminal offenses or breach of major laws or regulations within the past three years.

- **Pre-issuance Approval and Registration Procedure**

Pursuant to the Order 56, before incurring any foreign debt, an enterprise shall submit a registration application with the NDRC to obtain the certificate of approval and registration of enterprise borrowing of foreign debts (the “**Certificate of Approval and Registration**”). The Order 56 provide that the NDRC may take disciplinary measures against the relevant enterprise and the main responsible person(s), such as regulatory interview or public warning.

- **Use of Proceeds**

Pursuant to the Order 56, proceeds from foreign debts shall not be used for any purpose which would threaten the national information and data security or increase local government’s hidden debts, or for speculative purposes.

- **Post-issuance Filing and Reporting Procedure**

The relevant enterprise subject to the Order 56 shall undertake to (i) after incurring any foreign debt, file or cause to be filed with the NDRC the requisite information and documents relating to such foreign debt within ten PRC working days after the completion of borrowing of such foreign debts, (ii) file or cause to be filed with the NDRC the requisite information and documents within ten PRC working days upon the expiry of the Certificate of Approval and Registration, (iii) file or cause to be filed with the NDRC the requisite information and documents within five PRC working days before the end of January and July of each year, and (iv) file or cause to be filed the requisite information and documents with the NDRC upon the occurrence of any material event that may affect the relevant enterprise's due performance of its debt obligations.

An enterprise and its main responsible person(s) may be subject to a public warning, if the enterprise makes any concealment, false record, misleading statement or material omission in its application documents and information disclosed by such enterprise, or fails to comply with reporting obligations in accordance with the Order 56.

## **REGULATIONS ON LAND USE RIGHTS**

All land in the PRC is either state-owned or collectively-owned, depending on the location of the land. All land in the urban areas of a city or town is state-owned, and all land in the rural or suburban areas and all farmland are, unless otherwise specified by law, collectively-owned. The PRC government has the right to resume its land ownership or the land use rights according to the relevant law if required for public interest (and compensation must be paid by the PRC government).

Although all land in the PRC is owned by the PRC government or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. Individuals and entities may acquire land use rights in different ways. The two most important ways are land grants from local land authorities and land transfers from land users who have already obtained the land use rights.

Under the Interim Regulations of the People's Republic of China on Assignment and Transfer of the State-owned Land Use Rights in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) (the "**Interim Regulations on Assignment and Transfer**") promulgated and enforced by the State Council on 19 May 1990, a system of assignment and transfer of the right to use state-owned land has been adopted. A land user shall pay a premium to the PRC government as consideration for the assignment of land use rights within certain terms, and a land user may transfer, lease, and mortgage or otherwise commercially exploit the land use rights within the terms of use. Under the Interim Regulations on Assignment and Transfer and the Urban Real Estate Administration Law of the PRC (中華人民共和國城市房地產管理法) promulgated by the SCNPC on 27 August 2009, the land administration authority under the local government of the relevant city or county shall enter into an assignment contract with the land user for an assignment of land use rights. The land user shall pay the assignment price as stipulated in the assignment contract. After paying the assignment price in full, the land user shall register with the land administration authority and obtain a land use rights certificate (the "**Land Use Rights Certificate**"). The Land Use Rights Certificate is an evidence of the acquisition of land use rights.

The grant of land use rights by way of competitive processes is subject to the Regulations on the Grant of State-owned Land Use Rights by Invitation of Tender, Auction or Listings-for-sale (招標拍賣挂牌出讓國有土地使用權規定), issued by MLR on 9 May 2002 and revised as at 28 September 2007 by the Regulations on Granting State-owned Construction Land Use Right through Tenders, Auction and Listing for Sale (招標拍賣挂牌出讓國有建設用地使用權規定) (the “**2007 Regulations**”), and the Rules on the Assignment of State-owned Land Use Right through Tenders, Auction and Putting up for Bidding (Trial Implementation) (招標拍賣挂牌出讓國有土地使用權規範(試行)) promulgated by MLR on 31 May 2006. In addition, MLR required that with effect from 31 August 2004, the grant of land use rights must be made pursuant to auctions or listings at a land exchange and that no land use rights for commercial uses may be granted by way of agreement. The 2007 Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for a certain piece of land, must be granted by way of competitive processes. A number of measures are provided in the 2007 Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the relevant local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval of the city or provincial government. The grantee shall apply for land registration and obtain the state-owned land use rights certificate upon full payment of the land premium of the granted land according to the state-owned land use right granting contract. In the event that the land premium of the granted land is not paid in full, the grantee will not receive the land use rights certificate. In addition, the announcement of tender, auction or listing-forbidding must be made 20 days prior to the date on which such competitive process begins. Further, the 2007 Regulations also stipulated that for listing at a land exchange, the time period for accepting bids must not be less than ten days.

In the case of tender, the relevant local land bureau granting land use rights should examine the qualifications of intended bidders and inform those qualified to participate in the bidding processes by sending out tender invitations. Bidders are required to submit sealed bids and pay a security deposit.

When land use rights are granted by way of tender, a tender evaluation committee consisting of not less than five members (including a representative of the grantor and other experts), formed by the relevant local land bureau is responsible for opening the tenders and deciding on the successful bidder. The successful bidder will then sign the land grant contract with the relevant local land bureau and pay the balance of the land grant fee before obtaining the land use rights certificate.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Where land use rights are granted by way of listings-for-sale administered by the local government, a public notice will be issued by the relevant local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the relevant local land bureau and pay the relevant land grant fee within a prescribed period.

Land use rights granted by way of bilateral agreement are subject to the Regulations Concerning the Grant of Land Use Right Through Bilateral Agreement (協議出讓國有土地使用權規定) promulgated by MLR, effective on 1 August 2003. It provides that only when the methods of tender or auction or listing for sale are not required by the laws, regulations and rules may land use rights be granted by bilateral agreement between the relevant land authority and the grantee party. The land grant fees carried out in agreement should not be lower than the minimum price set by the central government.

For land in areas with standard land prices, the purchase price of land pursuant to any bilateral agreement should not be less than 70.0 per cent. of the standard land price of the relevant land category. If the price guidelines are not followed, the validity of the provision of land grant fees in the land grant contract may be deemed to be invalid. Only when there is only one prospective land user on the land to be granted may the land authority grant the land use rights through bilateral agreement, with the exception of land used for business, tourism, entertainment, commodity properties and others. After payment in full of the land grant fee, the land user may register with the land administration authority and obtain a Land Use Rights Certificate as evidence of the acquisition of the land use rights.

In addition to a direct grant from the government, an investor may also acquire land use rights from land users that have already obtained the land use rights by entering into a transfer contract or a joint development agreement with the land user. The transfer contract or joint development agreement must be registered with the relevant local land bureau at the municipal or county level for land use rights title change purposes. Upon a transfer of land use rights, all rights and obligations contained in the land grant contract are deemed to be incorporated as part of the terms and conditions of such transfer.

## **PROPERTY MANAGEMENT**

According to the Regulation on Property Management (物業管理條例) enacted by the State Council on 8 June 2003 and implemented on 1 September 2003, as most recently amended on 19 March 2018 and effective on the same date, the general meeting of owners in a property can appoint and dismiss the property management enterprise. Before the formal appointment of a property management enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property management enterprise.

According to the Rules on Property Management Service Fees (物業服務收費管理辦法) jointly promulgated by the NDRC and the Ministry of Construction on 13 November 2003 and effective on 1 January 2004, the amount of property management fees payable to a property management enterprise as remuneration may be set between the owners and property management enterprises by reference to a fixed management fee or a percentage based management fee. The property management enterprise may collect a fixed management fee from the property owners to cover all operating costs incurred for property management and shall account for any shortfall and retain any surplus. Or, management fees may be charged by reference to a fixed percentage of the total management fees collected. The balance of the fees will be used for covering the operating cost incurred for property management, and the property owners shall account for any shortfall and retain any surplus.



## **BIDDING AND TENDERING MANAGEMENT**

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) amended by SCNPC on 27 December 2017 and became effective on 28 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) amended by State Council on 2 March 2019 and became effective on the same date, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly amended by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China on 11 March 2013 and became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建築工程設計招標投標管理辦法) amended by MOC on 24 January 2017 and became effective on 1 May 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) amended by MOC on 28 September 2018 and became effective on the same date.

In accordance with the Bidding and Tendering Law of the People's Republic of China, certain types of projects shall go through bidding processes during phases, including project survey, design, construction, supervision and procurement of the essential equipment and materials relating to the project construction. Such projects include the projects related to social public interests and public security, including large infrastructure and utilities; projects invested by using state-owned fund or financed by the government in whole or in part, and projects using loans or aid funds of international organisations or foreign government.

The process of bidding and tendering consists of five stages including bid invitation, tendering, bid opening, bid evaluation and bid award. The principle of openness, fairness and equal competition shall be followed in the bidding and tendering for construction project contracting, and the contractor shall be chosen after evaluation. After the contractor is determined, the tenderee shall issue the notification to the successful bidder. The notification is legally binding on both the tenderee and the bid winner.

In accordance with the Bidding and Tendering Law of the People's Republic of China and Measures for the Construction Bidding and Tendering of Construction Projects, if any project that shall undergo bidding as required by law fails to go through the bidding process, or the items subject to bidding are broken up into pieces or the bidding requirement is otherwise evaded, the relevant administrative supervision department shall order rectification within a specified period, and may impose a fine of 0.5 per cent. up to 1 per cent. of the contract amount of the project. For projects using the state-owned funds in whole or in part, the project approval authority may suspend the implementation of the project or suspend the fund appropriation, and impose punishment on the person direct in charge of the entity or other person directly liable. Further, in accordance with the provisions of the Interpretations of the Supreme People's Court on Issues of Law Application during the Trial of Construction Contracts for Building Projects (1) (最高人民法院關於審理建設工程施工合同糾紛案件適用法律問題的解釋(一)) issued by the Supreme People's Court on 29 December 2020 and became effective on 1 January 2021, if any project that is required to undergo a bidding process fails to go through the bidding process or the bid award is invalid, the construction contract for building projects shall become invalid.

## **QUALITY MANAGEMENT**

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China, Regulation on Quality Management of Construction Projects (建設工程質量管理條例) amended by the State Council on 23 April 2019 and became effective on the same date, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and became effective on the same date, Interim Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) amended jointly by MOC and MOF on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) amended by Ministry of Housing & Urban-Rural Development on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date. According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The competent administrative department of construction at or above county level is the competent authority for quality supervision and management of construction projects.

## **ENVIRONMENTAL PROTECTION MANAGEMENT**

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by Standing Committee of the National People's Congress (the "SCNPC") on 4 November 2017 which became effective on 5 November 2017, Law on Environmental Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) amended by SCNPC on 29 October 2018 which became effective on the same date, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) amended by State Council on 16 July 2017 and became effective on 1 October 2017.

In accordance with the provisions of the Administrative Regulations on Environmental Protection of Construction Projects and Administrative Measures for Environmental Protection Acceptance of Construction Projects upon Completion, the PRC Government implements the system of environmental impact assessment on construction projects. After the completion of a construction project, the competent administrative department of environmental protection will undergo environmental protection acceptance process and assess whether the construction project has met the requirements for environmental protection.

## **AIR POLLUTION**

The Air Pollution Prevention Law (大氣污染防治法), amended on 26 October 2018 by the Standing Committee of the National People's Congress and became effective on the same date, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

## **WATER POLLUTION**

The Water Pollution Prevention Law (水污染防治法), amended on 27 June 2017 by the Standing Committee of the National People's Congress and became effective on 1 January 2018, establishes the legal framework for water pollution prevention in the PRC. The environmental protection department of the State Council formulates national waste discharge standards. Enterprises that discharge waste into water shall pay a treatment fee. Each of the local environmental protection bureaus is authorised to regulate water pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation, including suspending operations.

## **NOISE POLLUTION**

The Noise Pollution Prevention and Control Law (噪聲污染防治法), amended by the Standing Committee of the National People's Congress on 24 December 2021 and became effective on 5 June 2022, establishes the framework for noise pollution prevention and control in the PRC. Under the Noise Pollution Prevention and Control Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority.

## **CONSTRUCTION PROJECTS**

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the SCNPC on 28 October 2002, subsequently amended on 2 July 2016 and 29 December 2018, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, require enterprises planning construction projects to engage qualified professionals to provide assessment reports on the environmental impact of such projects. The assessment report shall be filed with and approved by the relevant environmental protection bureau, prior to the commencement of any construction work. The construction project shall not commence operation, unless inspected and approved by the relevant environmental protection bureau.

## **LABOUR**

### **Employment Contracts**

The Labour Contract Law (勞動合同法), promulgated by the Standing Committee of the National People's Congress on 29 June 2007, which became effective on 1 January 2008 and was amended on 28 December 2012 and became effective on 1 July 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employee contract. The Labour Contract Law stipulates that employee contracts shall be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. Pursuant to the Labour Contract Law, employment contracts lawfully concluded prior to the implementation of the Labour Contract Law and continuing as at the date of its implementation shall continue to be performed. Where an employment relationship was established prior to the implementation of the Labour Contract Law, but no written employment contract was concluded, a contract shall be concluded within one month after its implementation.

### **Employee Funds**

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法) amended by the Standing Committee of the National People's Congress on 29 December 2019, which became effective on the same date, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) amended by the State Council on 24 March 2019, which became effective on the same date, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), amended by the State Council on 24 March 2019, which became effective on the same date, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

## **REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES**

### **NDRC Supervision**

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (No. 11 of NDRC) (企業境外投資管理辦法(國家發展改革委令第11號)) issued by the NDRC on December 26, 2017 and effective as of March 1, 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is the NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees. For a project requiring filing, the authority in charge of filing is (i) the NDRC, if the investor is a centrally administered enterprise (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ); (ii) the NDRC, if the investor is a local enterprise and the amount of investment by PRC parties is U.S.\$0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of investment by PRC parties is less than U.S.\$0.3 billion.

## MOFCOM Supervision

MOFCOM issued the new version of the Overseas Investment Administration Rules (境外投資管理辦法) on 6 September 2014, effective from 6 October 2014 (the “**New Overseas Investment Rules**”). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and the competent department of commerce shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate (企業境外投資證書). If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after obtaining written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. “Sensitive countries and regions” refer to those countries without a diplomatic relationship with the PRC, or subject to the UNSC sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. “Sensitive industries” refer to those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a central enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days after accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days after accepting such local enterprise’s application, and submit all application documents to MOFCOM. MOFCOM shall decide whether or not to grant the verification within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

All overseas investments other than those subject to MOFCOM verification as described above are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM, print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business license for filing at MOFCOM (for a central enterprise or the provincial department of commerce (for a local enterprise) respectively).

MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days upon receipt of such filing form.

The investing enterprise must carry out the investment within two years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such certificate will automatically become invalid and a new filing or verification application has to be made by the investing enterprise. In addition, if any item specified in such certificate is changed, the investing enterprise shall make the change of registration at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form (境外中資企業再投資報告表) from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

### **Foreign Exchange Administration**

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau. The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013 and revised on 4 May 2015, issuers of foreign debts are required to register with the SAFE. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

The Cross-border Financing Circular established a mechanism aimed at regulating cross-border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

### **REGULATIONS ON STATE-OWNED ASSETS SUPERVISION**

The Standing Committee of the National People's Congress issued the Law of the People's Republic of China on State-owned Assets in Enterprises (中華人民共和國企業國有資產法) on 28 October 2008, which was amended on 2 March 2019. According to this law, major events involving state-invested enterprise including issuance of bonds shall be carried out in accordance with laws, administrative regulations and articles of association, and shall not damage the rights and interests of investors or creditors. And decisions on issuance of bonds shall be made by organs that perform the duties of an investor.

Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (企業國有資產監督管理暫行條例) amended by the State Council on 2 March 2019, which became effective on the same day, provides that state-owned assets supervision and administration authorities shall, in accordance with the statutory procedures, decide on the issuance of bonds. State-owned assets supervision and administration authorities shall, in accordance with the provisions of the Company Law, appoint shareholders' representatives and directors to attend the shareholders' meetings and board meetings of state-controlled companies and companies in which the state has an equity participation. When the shareholders' meetings or board meetings of state-controlled companies and companies in which the state has an equity participation decide on the issuance of bonds, the shareholders' representative and director appointed by the state-owned assets supervision and administration authority shall express opinions and exercise his voting rights as directed by the state-owned assets supervision and administration authority. Shareholders' representatives and directors appointed by state-owned assets supervision and administration authorities shall report the details of their performance of duties to the state-owned assets supervision and administration authority in a timely manner.

## TAXATION

*The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect at the date of this Information Memorandum, 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. Neither these statements nor any other statements in this Information Memorandum are to be regarded as advice on the tax position of any Bondholders or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.*

### HONG KONG

#### **Withholding Tax**

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

#### **Profits Tax**

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).



Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra- group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

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

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the “**Amendment Ordinance**”) came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

### **Stamp Duty**

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

### **PRC**

*The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.*

Pursuant to the EIT Law, the IIT Law and the implementation regulations in relation to both the EIT Law and the IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-source income derived by non-resident enterprises or individuals, respectively, subject to adjustment by applicable treaty. As the Issuer is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if any).

Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment or payment due. To the extent that the PRC 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 non-PRC resident enterprise Bondholders. Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC.

Under the EIT Law, a “non-resident enterprise” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realised on the transfer of the Bonds by enterprise holders would be treated as incomes derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, under the IIT Law, individuals who do not have a domicile in the PRC and have not resided in the PRC, or individuals who do not have a domicile in the PRC but have resided in the PRC for less than 183 days cumulatively within a tax year, shall be deemed as non-resident individuals. Income derived by non-resident individuals from China shall be subject to individual income tax pursuant to the provisions of the IIT Law. There is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

### **Stamp Duty**

According to Stamp Duty Law of the PRC (中華人民共和國印花稅法) promulgated by the Standing Committee of NPC on 10 June 2021 and implemented on 1 July 2022 and its implementation rules, enterprises or individuals which have written taxable certificates and conducted securities transactions within the PRC are subject to stamp duty shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments. Issuance and transfer of debt instruments (other than loan contract entered into with a financial institution) will not be imposed upon stamp duty in accordance with PRC laws as at the effective date hereto. In addition, there can be no assurance that PRC laws will not be revised as to impose stamp duty upon the issuance or transfer of the Bonds or similar debt instrument. If the issuance or transfer of the Bonds is treated as the same as the entry into a loan contract, or conclusion or use of any other taxable instruments in the PRC, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) in respect of the issuance of the Bonds, or both the transferor and transferee (i.e. the investors transferring the Bonds) in respect of the transfer of the Bonds would be each subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable to the issuance or transfer of the Bonds (or such higher rate if local governments have other additional requirements). The Issuer undertakes that to the extent any PRC stamp duty is payable on initial issuance of the Bonds, it will bear such relevant PRC stamp duties for itself and the Bondholders.

The taxation authorities may impose a fine if a person subject to such PRC stamp duty is found to have failed to attach, or have attached insufficient number of stamps to a taxable instrument. The taxation authority, in addition to ordering such person to attach the appropriate number of stamps, may impose a fine of up to 20 times the amount of stamp duty payable, depending on the seriousness of the individual case. Investors should further consult their own legal and tax advisors in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

## VAT

On 23 March 2016, the MOF and the State Administration of Taxation issued Circular 36, which introduced a new VAT to replace business tax from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Accordingly, the interest and other interest like earnings received by a non-PRC resident Bondholder from the Issuer will be subject to PRC VAT at the rate of 6 per cent. The Issuer will be obligated to withhold VAT of 6 per cent. on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. And as the withholding agent, the Issuer shall calculate the withholding tax according to the following formula:  $\text{withholding tax} = \text{price paid by the purchaser} \div (1 + \text{tax rate}) \times \text{tax rate}$ . However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

## FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Bonds.

## PLACEMENT AND SALE

The Issuer and the Guarantor have entered into a placing agreement, among others, with the Placing Agents dated 11 December 2024 (the “**Placing Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the investors identified by the Placing Agents, the Guarantor has agreed to guarantee and the Placing Agents have agreed to use reasonable efforts to procure subscribers, on a several and not joint basis, for the placement of the Bonds and facilitate the subscription and payment for the aggregate principal amount of the Bonds. The Placing Agreement provides that the obligations of the Placing Agents are subject to certain conditions precedent, and entitles the Placing Agents to terminate it in certain circumstances prior to payment being made by such investor to the Issuer and the Bonds being issued.

**Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks):** This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for the offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor, or any CMI (including its group companies) and inform the Placing Agents accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for the offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Information Memorandum.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Placing Agents in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a “principal” basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a “principal” basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a “principal” basis may require the relevant affiliated Placing Agents (if any) to categorise it as a proprietary order and apply the “proprietary orders” requirements of the SFC Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any “associations” (as used in the sfc code);
- whether any underlying investor order is a “proprietary order” (as used in the sfc code);
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcmteam@longone.hk, cs@changfu.com.hk, dcmgroup@cnigroup.com.cn, DCM@fehorizoncapital.com, dcm@gransing.com, dcm@sinopartnercapital.com, dcm@tungyatsec.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that each of them and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for the offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offering. The Placing Agents may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Placing Agent with such evidence within the timeline requested.

## **GENERAL**

The distribution of this Information Memorandum 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 Information Memorandum or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Information Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor, or the Placing Agents that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Information Memorandum, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Information Memorandum nor any other offering material or advertisements in connection with the Bonds may be distributed or published, by the Issuer, the Guarantor or the Placing Agents, in or from any country or jurisdiction, except in circumstances which will result in compliance with all applicable rules and regulations of any such country or jurisdiction and will not impose any obligations on the Issuer, the Guarantor or the Placing Agents. If a jurisdiction requires that an offering of Bonds be made by a licensed broker or dealer and the Placing Agents or any affiliate of the Placing Agents is a licensed broker or dealer in that jurisdiction, such offering shall be deemed to be made by the Placing Agents or such affiliate on behalf of the Issuer in such jurisdiction.

## **UNITED STATES**

The Bonds and the Guarantee 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. Each Placing Agent has represented, warranted and undertaken that it has not offered or sold, and will not offer or sell, any bonds constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of such Placing Agent or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Bonds.

Terms used in the paragraph above have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## **UNITED KINGDOM**

Each of the Placing Agents has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **HONG KONG**

Each of the Placing Agents has represented, warranted and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “**C(WUMP)O**”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to 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 under the SFO.

## **THE PEOPLE’S REPUBLIC OF CHINA**

Each of the Placing Agents has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

## **MACAU**

The Bonds have not been and will not be promoted, distributed, sold or delivered in Macau Special Administrative Region of the People's Republic of China ("**Macau**"), or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the Financial System Act of Macau, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the Macau Financial System Act and upon their communication to the Monetary Authority of Macau, in observation of the guidelines and recommendations issued by the Macau local regulatory authority from time to time.

## **SINGAPORE**

Each of the Placing Agents has acknowledged that this Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Placing Agent has represented, warranted and undertaken that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell the Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the of the SFA), pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

### **Prospective investors to note:**

At no time shall the Bonds be offered or sold, or caused to be made the subject of an invitation for subscription or purchase, nor shall this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Bonds be circulated or distributed to any person in Singapore in any subsequent offer except to (I) an institutional investor (as defined in Section 4A of the SFA) or (II) an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by an accredited investor which is:

- (a) a corporation 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 whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,



securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred except:

- (i) to an institutional investor or to an accredited investor;
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law.

***Singapore SFA Product Classification:*** *In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

## **JAPAN**

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each of the Placing Agent has represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

## GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code 295250569 and the ISIN for the Bonds is XS2952505696.
2. **LEI:** The Issuer's Legal Entity Identifier code is 8368005N8JB0K1JNOS83.
3. **Authorisations:** Each of the Issuer and the Guarantor has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement. The issue of the Bonds was authorised by board resolutions of the Issuer dated 29 August 2023 and shareholders' resolutions of the Issuer dated 12 October 2024. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of its obligations under the Deed of Guarantee, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by a resolution of the Guarantor on 06 December 2024.
4. **Registrations and Filings:** The Issuer has received an NDRC pre-issuance registration certificate dated 15 December 2023 from the NDRC, which as at the date of this Information Memorandum remains valid and in full force and effect. The Issuer will be required to file or cause to be filed with the NDRC the requisite information and documents in respect of the Bonds within the prescribed timeframe after the Issue Date and comply with the continuing obligations in accordance with the Order 56 and any implementation rules, regulations, certificates, circulars, notices or policies in connection therewith as issued by the NDRC from time to time. The Guarantor will undertake to file or cause to be filed with SAFE after the Issue Date, within the time period prescribed by SAFE pursuant to relevant laws and regulations, the requisite information and documents as required by the relevant regulatory authority.
5. **No Material Adverse Change:** There has not occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Issuer, the Issuer Group, the Guarantor or the Guarantor Group which is material and adverse in the context of the issue and offering of the Bonds, since 31 December 2023.
6. **Litigation:** Save as disclosed in this Information Memorandum, none of the Issuer, the Issuer Group, the Guarantor or the Guarantor Group is involved in any current litigation or arbitration proceedings which could have a material and adverse effect on their business, results of operations and financial condition nor is any of the Issuer or the Guarantor aware that any such proceedings are pending or threatened. The Issuer and/or the Guarantor may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of their business.
7. **Available Documents:** Copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee relating to the Bonds (i) will be available for inspection by the Bondholders at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday (other than public holidays)) at the principal office of the Trustee, being at the date of this Information Memorandum at 160 Queen Victoria Street, London EC4V 4LA, United Kingdom, and at the specified office of the Principal Paying Agent from time to time, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying Agent and (ii) may be provided by email to any Bondholder following written request and proof of holding and identity to the satisfaction of the Principal Paying Agent.
8. **Listing of Bonds:** Application will be made to the MOX for the listing of, and permission to deal in, the Bonds by way of debt issues to MOX Professional Investors only. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer, the Guarantor, the Bonds or the Guarantee.

**ISSUER**

**Xichang Haihe Cultural Tourism Investment Development Co., Ltd.**

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Sichuan Province, the PRC

**GUARANTOR**

**Sichuan Development Financing Guarantee Co., Ltd.**

(四川發展融資擔保股份有限公司)

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**PRINCIPAL PAYING AGENT**

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