

## IMPORTANT NOTICE

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**PANDA FUNDING INVESTMENT 2013**  
*(incorporated with limited liability under the laws of the Cayman Islands)*

**CNY910,000,000 3.95 per cent. Secured Notes due 2016**

**Issue Price: 100 per cent.**

The CNY910,000,000 3.95 per cent. Secured Notes due 2016 (the “**Notes**”) to be issued by Panda Funding Investment 2013 (the “**Issuer**”) will be constituted and secured pursuant to a trust deed (the “**Trust Deed**”) dated on or about 18 December 2013 between the Issuer and DB Trustees (Hong Kong) Limited as trustee for the holders of the Notes (the “**Trustee**”). The Notes are limited recourse obligations of the Issuer.

Payments of interest on the Notes will be made quarterly in arrear on the 17th day of each relevant month (as adjusted for non-Business Days (as provided herein)) commencing on 17 March 2014 in accordance with the priorities of payments described herein.

The Notes will mature on 17 December 2016 at their principal amount. The Notes are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, upon the occurrence of certain events, including without limitation, upon prepayment of the underlying loan agreement or the occurrence of certain changes affecting taxes. See “*Terms and Conditions of the Notes — Redemption*”.

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

**The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are being offered only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.**

For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this Offering Circular, see “*Subscription and Sale*”.

Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST or quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes. The SGX-ST assumes no responsibility for the correctness of any statement made or opinions expressed or reports contained herein.

The Notes will be issued in registered form and represented by a global certificate (the “**Global Certificate**”) which will be registered in the name of the Hong Kong Monetary Authority (the “**HKMA**”) as the operator of, and shall be deposited with a sub-custodian for the Central Moneymarkets Unit Service (the “**CMU**”), the book-entry clearing system operated by the HKMA. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU.

**Lead Manager**



The date of this Offering Circular is 16 December 2013.

## IMPORTANT NOTICE

**Prospective investors should rely only on the information contained in this Offering Circular or to which reference is made herein. The Issuer has not authorised anyone to provide prospective investors with information that is different. This Offering Circular may only be used where it is legal to sell the Notes. The information in this Offering Circular may only be accurate on the date of this Offering Circular.**

The Issuer accepts responsibility for all the information included in this Offering Circular. To the best of the knowledge and belief of the Issuer, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information. Where information contained in this Offering Circular includes extracts from summaries of information and data from various published and private sources (including but not limited to information provided herein with respect to the Borrower and the Demand Guarantor (each as defined below)), the Issuer accepts responsibility only for accurately extracting information from such sources.

To the best of the knowledge and belief of the Demand Guarantor, the information contained in this document under “Description of the Demand Guarantor” (collectively, the “**Demand Guarantor Information**”) is in accordance with the facts and does not omit anything likely to affect the import of such information. The Demand Guarantor, having made all reasonable inquiries, confirms that the Demand Guarantor Information is true and correct in all material respects, not misleading, that there is no omission of a material fact necessary to make the Demand Guarantor Information, in the light of the circumstances under which it is provided, and that the opinions and intentions expressed in the Demand Guarantor Information are honestly held.

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Notes described in this Offering Circular. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and Standard Chartered Bank (“**SCB**” or the “**Lead Manager**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Circular, see “*Subscription and Sale*”. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Circular.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Agents, the Facility Agent, the Transaction Administrator, the Account Bank, the Borrower, HBISG or the Demand Guarantor (each as defined below). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Borrower, HBISG or the Demand Guarantor or any of their and its respective subsidiaries and its associates since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, the Borrower, HBISG or the Demand Guarantor to subscribe for or purchase any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to, and its contents may be disclosed only to, the prospective investors to whom it is provided. By accepting delivery of this Offering Circular, each investor agrees to these restrictions.

None of the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, HBISG, the Borrower or the Demand Guarantor (other than in respect of the Demand Guarantor Information) has separately verified the information contained in this Offering Circular. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any of the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, HBISG, the Borrower or the Demand Guarantor as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Notes.

Each person contemplating making an investment in the Notes is deemed to represent that it has conducted its own due diligence, investigation and analysis of the Issuer, the Borrower, HBISG and the Demand Guarantor and the terms of the offering including the merits and risks involved, and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. Each investor in the Notes is deemed to represent that it has had access to such information concerning the Notes, the Issuer, the Borrower, HBISG and the Demand Guarantor as it has deemed necessary and has received all information that it believes is necessary or appropriate in connection with its investment decision to purchase the Notes. Any investor in the Notes should be able to bear the economic risk of an investment in the Notes for an indefinite period of time.

Each person receiving this Offering Circular is deemed to represent and acknowledges that such person has not relied on the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, the Borrower, HBISG, the Demand Guarantor or any of their affiliates in connection with its investigation of the accuracy of such information or its investment decision. To the fullest extent permitted by law, none of the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, the Borrower, HBISG, the Demand Guarantor or any of their respective affiliates, directors or advisors accepts any responsibility for the contents of this Offering Circular or for any statement made or purported to be made in connection with the Issuer, the Borrower, HBISG, the Demand Guarantor, the Loan Agreement, the Demand Guarantee or the issue and offering of the Notes. Each of the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, the Borrower, HBISG, the Demand Guarantor and each of their respective affiliates, directors and advisors accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. Each person receiving this Offering Circular agrees that it will not hold any of the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, the Borrower, HBISG, the Demand Guarantor and each of their respective affiliates, directors and advisors responsible for any misstatement or omissions in the Offering Circular and waives any claims against such persons arising from or relating to this transaction. None of the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, the Borrower, HBISG, the Demand Guarantor or any of their respective affiliates undertakes to review the financial condition or affairs of the Issuer, the Borrower, HBISG, the Demand Guarantor for so long as the Notes remain outstanding nor to advise any investor or potential investor of the Notes of any information coming to the attention of any of the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent, the Account Bank, the Borrower, HBISG, the Demand Guarantor or any of their respective affiliates.

Each person receiving this Offering Circular should make an investment in the Notes based on the contents of this Offering Circular and it acknowledges that any drafts of the Offering Circular or any other materials that may have been provided to them prior to the date hereof, are superseded in all respects by this Offering Circular and such materials should be disregarded for purposes of its investment decision.

**The contents of this Offering Circular should not be construed as providing legal, business, accounting or tax advice. Each prospective investor should consult its own legal, business, accounting and tax advisers prior to making a decision to invest in the Notes.**

## PRESENTATION OF INFORMATION

Reference in this Offering Circular to “**RMB**”, “**CNY**” or “**Renminbi**” are to the lawful currency for the time being of the People’s Republic of China (“**PRC**”). References in this Offering Circular to “**U.S.\$**”, “**Dollars**”, “**U.S. dollars**”, “**\$**” or “**USD**” are to the lawful currency for the time being of the United States of America (the “**U.S.**” or the “**United States**”).

Capitalised terms used in this Offering Circular, unless otherwise indicated, have the meanings set out in this Offering Circular. A glossary of defined terms appears at the back of this Offering Circular.

For the avoidance of doubt, any use of “**RMB**”, “**CNY**” or “**Renminbi**” in connection to the Notes or the Swap Agreement shall refer to “**RMB**”, “**CNY**” or “**Renminbi**” as available offshore.

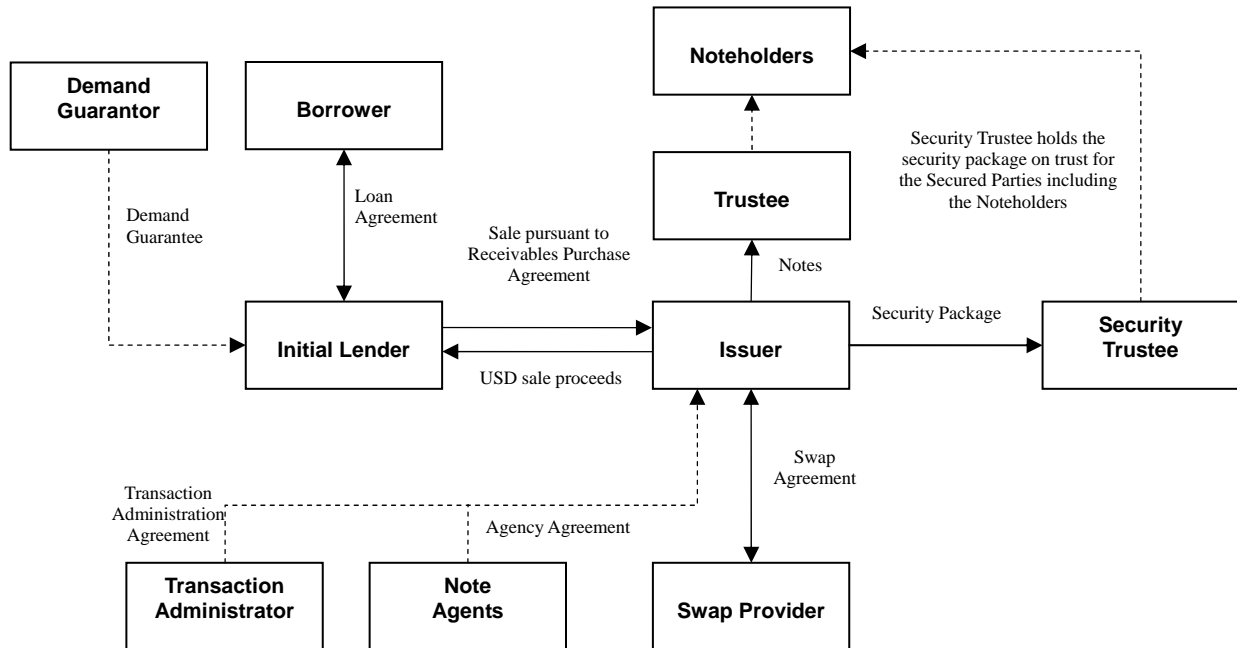
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## TRANSACTION SUMMARY

### CNY910,000,000 3.95 per cent. Secured Notes due 2016 (the “Notes”)

*The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors. Prospective investors should therefore read this Offering Circular in its entirety before making any investment decisions.*



### Summary

*Capitalised terms used in this summary section are defined in the more detailed sections below. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary.*

On 18 December 2013, the date of issuance of the Notes (the “**Closing Date**”), the Issuer will apply the net proceeds of the issuance of the Notes towards the purchase of all rights of the Initial Lender under the Loan Agreement and the Demand Guarantee pursuant to the Receivables Purchase Agreement. See “*The Receivables Purchase Agreement*”.

On or prior to the Closing Date, the Issuer will enter into a currency and interest rate swap agreement with the Swap Provider in order to hedge its currency and interest rate exposure under the Notes. See “*The Swap Agreement*”.

The performance of the Issuer’s obligations under the Notes will be secured by the grant of a first-ranking security over all of the Issuer’s assets in favour of the Security Trustee (for itself and the other Secured Parties (including the Noteholders)).

The Notes will not be rated.

## KEY TRANSACTION PARTIES

### (a) Note-level parties

<b>The Issuer</b>	<p>Panda Funding Investment 2013, an exempted company incorporated in the Cayman Islands with limited liability, will issue the Notes (the “<b>Issuer</b>”). All of the issued share capital of the Issuer is held on a charitable purpose trust.</p> <p>The Issuer’s sole business will be:</p> <ul style="list-style-type: none"><li>(a) the purchase of the Initial Lender’s rights under the Loan Agreement and the Demand Guarantee;</li><li>(b) the assignment by way of security to the Security Trustee (as defined below) of substantially all of the Issuer’s property and assets;</li><li>(c) the issuance of the Notes; and</li><li>(d) the entry into and the performance of its obligations under, referred to in, or contemplated by, all the documents relating to the Notes.</li></ul>
<b>The Issuer Administrator</b>	<p>The Issuer will appoint Intertrust SPV (Cayman) Limited (the “<b>Issuer Administrator</b>”) to provide certain management and administrative services to the Issuer pursuant to a management agreement.</p>
<b>The Agents</b>	<p>The Issuer will appoint Deutsche Bank AG, Hong Kong Branch as CMU lodging agent, principal paying agent, transfer agent, reference agent and registrar for the Notes (the “<b>CMU Lodging Agent</b>”, “<b>Principal Paying Agent</b>”, “<b>Transfer Agent</b>”, “<b>Reference Agent</b>” and “<b>Registrar</b>”, respectively) pursuant to the Agency Agreement (collectively, the “<b>Agents</b>”).</p>
<b>The Trustee</b>	<p>DB Trustees (Hong Kong) Limited will act as trustee for the holders of the Notes (the “<b>Trustee</b>”).</p>
<b>The Security Trustee</b>	<p>DB Trustees (Hong Kong) Limited will act as security trustee and hold the Security (as defined below) on behalf of the Noteholders and the other Secured Parties pursuant to the Security Trust Deed (the “<b>Security Trustee</b>”). See “<i>The Notes — Security Package</i>”.</p>
<b>The Account Bank</b>	<p>The Issuer will appoint Deutsche Bank AG, Hong Kong Branch as its account bank (the “<b>Account Bank</b>”) in respect of the Issuer Accounts (as defined below) pursuant to the Account Bank Agreement. See “<i>The Transaction Administration Agreement — The Issuer Accounts</i>”.</p> <p>The Account Bank is required to have (x) short-term unsecured, unguaranteed and unsubordinated debt obligations which are rated P-1 by the Rating Agency and (y) long-term unsecured, unguaranteed and unsubordinated debt or counterparty obligations which are rated A3 or above by the Rating Agency. If the Account Bank ceases to have such required ratings, a replacement Account Bank with such required ratings shall be identified and appointed in place of the original Account Bank in accordance with the provisions of the Transaction Documents. See “<i>The Transaction Administration Agreement — Change of Account Bank</i>”.</p>
<b>The Transaction Administrator</b>	<p>The Issuer will appoint Deutsche Bank AG, Hong Kong Branch (the “<b>Transaction Administrator</b>”) to provide certain administrative services in relation to the payment obligations of the Issuer pursuant to the Transaction Documents.</p>
<b>The Swap Provider</b>	<p>The swap provider under the Swap Agreement is Standard Chartered Bank. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. Its principal office and principal place of business in the United Kingdom is 1 Basinghall Avenue, London EC2V 5DD, United Kingdom (the “<b>Swap Provider</b>”).</p>



- (a) The Swap Provider is required to have (x) short-term unsecured, unguaranteed and unsubordinated debt obligations which are rated P-1 or above by the Rating Agency and (y) long-term unsecured, unguaranteed and unsubordinated debt or counterparty obligations which are rated A2 or above by the Rating Agency.
- (b) Subject to paragraph (c) below, if the rating of any of the Swap Provider's short-term or long-term unsecured, unguaranteed and unsubordinated debt obligations by the Rating Agency falls below the requirements set out in paragraph (a) above, the Swap Provider will be required to post collateral in accordance with the credit support annex to the Swap Agreement.
- (c) If the rating of any of the Swap Provider's short-term and long-term unsecured, unguaranteed or unsubordinated debt obligations by the Rating Agency falls below P-1 and A3 respectively, the Swap Provider will be required to obtain a guarantee in relation to its obligations under the Swap Agreement, or in the alternative, find a replacement swap provider.

**The Rating Agency** Moody's Investors Service (the "**Rating Agency**").  
*(in respect of the Account Bank and the Swap Provider)* For the avoidance of doubt, the Notes will not be rated.

(b) *Asset-level parties*

**The Initial Lender** The initial lender under the Loan Agreement (as defined below) is Standard Chartered Bank (Hong Kong) Limited, a licensed bank registered with the Hong Kong Monetary Authority pursuant to the Banking Ordinance (Cap 155 of the laws of Hong Kong) (the "**Initial Lender**").

**The Borrower** The borrower under the Loan Agreement is Hebei Iron & Steel (Hong Kong) International Trade Co., Limited, a company incorporated under the laws of Hong Kong (the "**Borrower**").

The Borrower's main business is to source iron ore from major international suppliers, which in turn is onsold to the Borrower's parent company.

The Borrower is wholly owned by Hebei Iron & Steel Group Co., Limited, a limited company incorporated in the PRC ("**HBISG**").

**The Demand Guarantor** The issuing entity for the Demand Guarantee is China Export & Credit Insurance Corporation, Hebei Branch (the "**Demand Guarantor**").

**The Facility Agent** Deutsche Bank AG, Hong Kong Branch shall act as the facility agent under the Loan Agreement (the "**Facility Agent**").

## THE NOTES – CNY910,000,000 3.95 per cent. Secured Notes due 2016

The Issuer will issue the Notes to the investors on the Closing Date. The Notes will constitute direct and unconditional obligations of the Issuer and will be secured by the Security Package. See “— *Security Package*” below.

The Notes will be issued in registered form and represented by a global certificate (the “**Global Certificate**”) registered in the name of the Hong Kong Monetary Authority (the “**HKMA**”), in its capacity as operator of the Central Moneymarkets Unit Service (the “**CMU**”), and shall be delivered to and held by a sub-custodian nominated by the HKMA as operator of the CMU. The Global Certificate will be held for the account of CMU members who have accounts with the CMU operator, or the CMU participants. For persons seeking to hold a beneficial interest in the Notes through Euroclear Bank S.A./N.V. (“**Euroclear**”) or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”), such persons will hold their interests through an account opened and held by Euroclear or Clearstream, Luxembourg with the CMU operator. Interests in the Global Certificate will only be shown on, and transfers of interests will be effected through, records maintained by the CMU operator. The Notes are freely transferable in accordance with their terms and subject to certain restrictions on transfers and sales.

### Principal features of the Notes

<b>Issue Price</b>	The Notes will be issued at 100 per cent. of their principal amount.
<b>Principal Amount</b>	CNY910,000,000.
<b>Interest Rate</b>	3.95% per annum.
<b>Frequency of payment of interest</b>	Quarterly.
<b>Expected Maturity Date</b>	The Note Payment Date falling on 17 December 2016.
<b>Legal Maturity Date</b>	The day falling 15 Business Days after the Expected Maturity Date.
<b>Form and Denomination</b>	The Notes will be issued to persons outside the United States (under Regulation S) in registered form and in minimum denominations of CNY1,000,000 and integral multiples of CNY10,000.
<b>Clearing Systems</b>	<p>The Notes will be issued in registered form and represented by the Global Certificate registered in the name of HKMA in its capacity as operator of the CMU, the book-entry clearing system operated by the HKMA, and shall be deposited with, a sub-custodian for the CMU, and will be exchangeable for definitive certificates only in limited circumstances set out therein.</p> <p>For persons seeking to hold a beneficial interest in the Notes through Euroclear or Clearstream, Luxembourg, such persons will hold their interests through an account opened and held by Euroclear or Clearstream, Luxembourg (as the case may be) with the CMU operator.</p>
<b>Listing</b>	Approval in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be subject to a minimum board lot size of CNY500,000, to be traded on the SGX-ST in a minimum number of two lots in a single transaction, for as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.
<b>Rating</b>	The Notes are not rated.
<b>Underlying Assets</b>	The Issuer will apply the proceeds from the issuance of the Notes to purchase a U.S.\$150,000,000 term loan from the Initial Lender to the Borrower (the “ <b>Loan Agreement</b> ”). See the section “ <i>The Loan Agreement</i> ” below for a summary of the key terms of the Loan Agreement.

The Demand Guarantor has guaranteed the Borrower's payment obligations under the Loan Agreement pursuant to a demand guarantee (the "**Demand Guarantee**"). See the section "*The Demand Guarantee*" below for a summary of the key terms of the Demand Guarantee.

#### **Security Package**

The Issuer will grant first ranking security (the "**Security**") over the Issuer's property and assets to the Security Trustee to secure all amounts and obligations owed by the Issuer to the Secured Parties under the Notes and in connection with the Transaction Documents.

The Security Trustee shall, in accordance with the terms of the Security Trust Deed, hold the benefit of the Security for itself, the Trustee (for itself and on behalf of the Noteholders), the Agents, the Swap Provider, the Transaction Administrator, the Issuer Administrator, the Account Bank and the Facility Agent (together, the "**Secured Parties**").

The key assets subject to the Security shall include:

- (a) the Issuer's rights under the Loan Agreement (including all rights under the Debt Service Reserve Account Charge) and the Demand Guarantee\* following the purchase of those rights by the Issuer from the Initial Lender pursuant to the Receivables Purchase Agreement;
- (b) the Issuer's rights under the Swap Agreement and each other Transaction Document; and
- (c) the Issuer Accounts.

\* The Security Trustee's security over the Demand Guarantee takes effect as a first ranking security assignment over all proceeds arising under the Demand Guarantee (as opposed to a security assignment over all rights of the Issuer under the Demand Guarantee). It is not possible for the Security Trustee to obtain a security assignment over all rights of the Issuer under the Demand Guarantee because the terms of the Demand Guarantee prohibit the transfer of the Demand Guarantee to a party which is not the Issuer (see "*The Demand Guarantee*" below).

#### **Note Payment Dates**

The Notes bear interest on their outstanding principal amount from and including 18 December 2013 at a rate of 3.95 per cent. per annum, payable quarterly in arrear on 17 March, 17 June, 17 September and 17 December in each year (each a "**Note Payment Date**"), commencing on 17 March 2014.

If any Note Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless that day falls in the next calendar month, in which case it shall be brought forward to the immediately preceding business day.

"**Business Day**" means a day (other than a Saturday or Sunday) on which commercial banks are open for general business in Beijing, Hong Kong and New York and for settlement of Renminbi in Hong Kong.

#### **Note Interest Period**

Interest on the Notes will be payable by reference to successive interest periods determined as follows:

- (a) the initial Note Interest Period will commence on (and include) the Closing Date and end on (but exclude), the first Note Payment Date; and
- (b) each subsequent Note Interest Period will commence on (and include) a Note Payment Date and end on (but exclude) the immediately succeeding Note Payment Date (each, an "**Note Interest Period**").

The Notes will cease to bear interest from and including the Expected Maturity Date (or, if applicable, the Legal Maturity Date).

**Redemption on Legal Maturity Date**

Unless previously redeemed in full (on the Expected Maturity Date or pursuant to an Early Redemption Event), the Notes will mature on the Legal Maturity Date.

**Withholding tax**

All payments by the Issuer in respect of the Notes will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes unless such withholding or deduction is required by law. In such event, the Issuer shall not be obliged to pay any additional amounts to the Noteholders in respect of such withholding or deduction.

**Conditions precedent to issue of the Notes**

Usual and customary conditions precedent for a transaction of this nature including, but not limited to, (a) all conditions precedent to the drawdown of the Loan Agreement having been satisfied; and (b) all conditions precedent under the Receivables Purchase Agreement having been satisfied.

**Early Redemption**

The principal amount outstanding under the Notes is linked to the principal amount outstanding under the Loan Agreement. To the extent that a prepayment is made under the Loan Agreement, the prepayment proceeds shall be applied towards the early redemption of the Notes in the manner set out below.

On the occurrence of an Early Redemption Event, the Issuer shall apply all Early Redemption Proceeds received and to be received by it towards the redemption of the Notes on the Early Redemption Date at the Early Redemption Amount.

**“Early Redemption Amount”** means an amount calculated by the Reference Agent, being the aggregate of:

- (a) 100 per cent. of the principal amount of the Notes then outstanding (**“Early Redemption Principal Amount”**), together with accrued interest up to, but excluding the Early Redemption Date; and
- (b) if the Additional Early Redemption Premium Condition is met, an additional early redemption premium calculated in accordance with the formula as set out below:

$$\text{Early Redemption Principal Amount} \times \frac{\text{Actual days from and including the Early Redemption Date to but excluding the Expected Maturity Date}}{365} \times 1.5\%$$

The **“Additional Early Redemption Premium Condition”** will be met if the Early Redemption Amount is payable pursuant to the occurrence of an Acceleration Early Redemption resulting from (x) automatic acceleration of the loan pursuant to non-payment under clause 19.1 (*Non-payment*) of the Loan Agreement; or (y) acceleration of the loan pursuant to any insolvency of the Borrower or its subsidiaries under to clause 19.5 (*Insolvency*) of the Loan Agreement.

**“Early Redemption Date”** means, in relation to any Early Redemption Event:

- (a) (*in the case of Mandatory Prepayment Early Redemption*) the Note Payment Date falling immediately after such Early Redemption Event, or, if the Borrower fails to make mandatory prepayment in accordance with the terms of the Loan Agreement, the day falling 15 Business Days after such Note Payment Date; or
- (b) (*in the case of Acceleration Early Redemption*) on the day falling 16 Business Days after the occurrence of such Early Redemption Event, or such later date as may be designated by the Issuer.

**“Early Redemption Event”** means the occurrence of any of the following events:

- (a) the Facility Agent giving notice to the Borrower of mandatory prepayment under clause 7 (*Prepayment and Cancellation*) of the Loan Agreement resulting from (i) illegality under the Loan Agreement, or (ii) the insolvency the Demand Guarantor, any default by the Demand Guarantor in its other financial obligations, or the illegality or unenforceability of the Demand Guarantee (“**Mandatory Prepayment Early Redemption**”); or
- (b) following the occurrence of an event of default under the Loan Agreement, the acceleration of the loan pursuant to clause 19.13 (*Acceleration*) of the Loan Agreement (“**Acceleration Early Redemption**”).

“**Early Redemption Proceeds**” means the aggregate of the amounts received and to be received by the Issuer under the Loan Agreement and the Demand Guarantee following the occurrence of an Early Redemption Event (which for the avoidance of doubt excludes all deductions or withholdings on such amounts on account of tax, set-off or otherwise).

## Enforcement

Following the occurrence of a Note Event of Default and the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), the Security Package shall become enforceable and the Security Trustee may, at its discretion and without notice, and shall, if directed by an extraordinary resolution of the Noteholders and indemnified and/or secured and/or prefunded to its satisfaction, enforce the Security Package and apply the proceeds of enforcement in accordance with the priority of payments set out in “*Priority of Payments at Issuer Level after Enforcement*” below.

“**Note Event of Default**” means:

- (a) **Payment default:** default is made for a period of 2 Business Days in the payment of principal or interest under the Note as and when the same ought to be paid in accordance with the Conditions;
- (b) **Breach of other obligations:** default is made by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Notes or the other Transaction Documents;
- (c) **Enforcement proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, a material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;
- (d) **Insolvency:** the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of 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 any material part of the debts of the Issuer;
- (e) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, or the Issuer ceases or threatens to cease to carry on all or, substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders;
- (f) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or
- (g) **Analogous events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs.

**Priority of Payments at Issuer Level before Enforcement**

On each Note Payment Date prior to the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), the Transaction Administrator will on behalf of the Issuer, apply all amounts on deposit in the Note Payment Account (subject to any top-ups from the Note Expense Account for item (b) below) in the following order of priority:

- (a) *first*, towards all taxes payable by the Issuer;
- (b) *second*, towards all fees, costs, charges, liabilities and expenses of the Transaction Administrator, the Trustee, the Security Trustee, the Agents, the Facility Agent, the Account Bank and the Issuer Administrator which are due but unpaid (subject to an annual cap);
- (c) *third, pro rata and pari passu*, to (i) the Noteholders towards payment of all interest due and payable under the Notes; and (ii) the Swap Provider, towards payment of all Senior Swap Termination Amounts (if any);
- (d) *fourth*, to the Noteholders, towards payment of all principal due and payable under the Notes;
- (e) *fifth*, to the Swap Provider, towards payment of all Junior Swap Termination Amounts;
- (f) *sixth, (if the applicable Note Payment Date is also the first Note Payment Date under the Notes)* to the Initial Lender, towards payment of the Deferred Purchase Price (as defined below);
- (g) *seventh*, to pay all fees, costs, charges, liabilities and expenses of the Transaction Administrator, the Trustee, the Security Trustee, the Agents, the Facility Agent, the Account Bank and the Issuer Administrator in excess of the cap in paragraph (b) above; and
- (h) *eighth*, the balance to the Note Payment Account.

“**Early Termination Amount**” shall have the meaning ascribed to it in the Swap Agreement.

“**Senior Swap Termination Amounts**” means any Early Termination Amount due but unpaid under the Swap Agreement which is not a Junior Swap Termination Amount.

“**Junior Swap Termination Amounts**” means any Early Termination Amount payable to the Swap Provider following the early termination of the Swap Agreement resulting from an Event of Default (as defined in the Swap Agreement) relating to the Swap Provider or a termination event where the Swap Provider is the sole Affected Party (as defined in the Swap Agreement).

**Priority of Payments at Issuer Level after Enforcement**

On each Note Payment Date following the delivery of an enforcement notice to the Security Trustee by the Trustee pursuant to Condition 4(b), the Transaction Administrator will on behalf of the Security Trustee apply all amounts on deposit in the Note Payment Account (subject to any top-ups from the Note Expense Account for item (b) below) in the following order of priority:

- (a) *first*, towards all taxes of the Issuer and all fees, costs, charges, liabilities and expenses of the Security Trustee;
- (b) *second*, towards all fees, costs, charges, liabilities and expenses of the Transaction Administrator, the Trustee, the Agents, the Facility Agent, the Account Bank and the Issuer Administrator which are due but unpaid;
- (c) *third, pro rata and pari passu*, to (i) the Trustee towards payment to the Noteholders of all interest due and payable under the Notes; and (ii) the Swap Provider, towards

payment of all Senior Swap Termination Amounts (if any);

- (d) *fourth*, to the Trustee, towards payment to the Noteholders of all principal due and payable under the Notes;
- (e) *fifth*, to the Swap Provider, towards payment of all Junior Swap Termination Amounts;
- (f) *sixth*, (if the applicable Note Payment Date is also the first Note Payment Date under the Notes) to the Initial Lender, towards payment of the Deferred Purchase Price (as defined below); and
- (g) *seventh*, the balance to the Note Payment Account.

**Limited recourse and Non petition**

- (a) Recourse against the Issuer, and the liability of the Issuer, in relation to its obligations under the Notes and the Transaction Documents, shall be limited to the amounts from time to time available in accordance with, and in the order of priorities set out in the Transaction Administration Agreement (see “*The Notes — Priority of Payments*”). Accordingly, no Noteholder (or other Secured Party) shall have any claim or recourse against the Issuer in respect of any amount which is or remains, or will remain, unsatisfied when no further amounts are receivable or recoverable in respect of the Security and all funds comprising the Security and/or representing the proceeds of realisation thereof have been applied in accordance with the provisions of the Transaction Documents, and any unsatisfied amounts shall be waived and extinguished. In addition, where compliance with the obligations imposed on the Issuer under any Transaction Document would require the expenditure by the Issuer of its own funds, the obligations of the Issuer shall be limited to the extent that it is put in funds to meet such expenditure.
- (b) Each of the parties to the Transaction Documents agrees that it shall not take any action to commence any case, proceedings, proposal or other action under any existing or further law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganisation, arrangement in the name of insolvency proceedings, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to the Issuer or the debts of the Issuer.
- (c) Each of the parties to the Transaction Documents acknowledges and agrees that the Issuer's obligations are corporate obligations of the Issuer and that each such party shall not have any recourse against any the directors, officers or employees of the Issuer for any claims, losses, damages, liabilities, indemnities or other obligations whatsoever in connection with any transactions contemplated by any Transaction Document.

**Governing Law**

The Notes and all non-contractual obligations arising under it will be governed by, and construed in accordance with, English law.

**THE TRANSACTION DOCUMENTS**

The key transaction documents (the “**Transaction Documents**”) to which the Issuer is a party are:

- (a) the trust deed constituting the Notes between the Issuer and the Trustee (the “**Trust Deed**”);
- (b) the agency agreement in relation to the Notes between the Issuer, the Trustee and the Agents (the “**Agency Agreement**”);
- (c) the security trust deed in relation to the Security between the Issuer and the Security Trustee (the “**Security Trust Deed**”);

- (d) the security assignment of the Issuer's rights under the Transaction Documents between the Issuer and the Security Trustee (the “**Security Assignment**”);
- (e) the accounts charge in relation to the Issuer Accounts between the Issuer and the Security Trustee (the “**Accounts Charge**”);
- (f) the 1992 ISDA Master Agreement (Multicurrency-Cross Border) together with a schedule, confirmation and credit support annex between, among others, the Issuer and the Swap Provider (the “**Swap Agreement**”);
- (g) the receivables purchase agreement in relation to the purchase of the Receivables between, among others, the Issuer and the Initial Lender (the “**Receivables Purchase Agreement**”); and
- (h) the transaction administration agreement between, among others, the Issuer and the Transaction Administrator (the “**Transaction Administration Agreement**”).

A summary of some of the key provisions of the Swap Agreement, the Receivables Purchase Agreement and the Transaction Administration Agreement is set out below.

### **THE SWAP AGREEMENT**

The Issuer and the Swap Provider are party to the Swap Agreement, the terms of which govern a series of currency (USD/CNY) and interest rate swap transactions entered into on or prior to the Closing Date.

The notional amount of the Swap Agreement is linked to the principal amount outstanding under the Loan Agreement. The principal amount outstanding under the Loan Agreement is in turn linked to the principal amount outstanding under the Notes (see “*The Notes – Early Redemption*”).

On Closing Date, (a) the Issuer will pay the CNY proceeds of the issuance of the Notes to the Swap Provider; and (b) the Swap Provider will be obliged to make a corresponding USD payment to the Issuer.

On each fixed and floating payment date under the Swap Agreement (being one Business Day prior to each Note Payment Date, the “**Swap Payment Date**”), (a) the Issuer will be obliged to make floating rate USD payments by reference to the notional amount corresponding to the principal amount outstanding under the Notes; and (b) the Swap Provider will be obliged to make corresponding fixed rate CNY payments to the Issuer based on such notional amount.

The obligations of the Swap Provider under the Swap Agreement will be supported by a credit support annex, which will require the Swap Provider to provide certain collateral by way of title transfer to support its payment obligations under the Swap Agreement in the event of a credit rating downgrade relating to the Swap Provider.

### **THE RECEIVABLES PURCHASE AGREEMENT**

On or prior to the Closing Date, the Issuer will enter into the Receivables Purchase Agreement with the Initial Lender to effect a legal assignment of the Initial Lender’s rights under (a) the Loan Agreement (including without limitation, all rights under the Debt Service Reserve Account Charge); and (b) the Demand Guarantee. The key terms of the Receivables Purchase Agreement are summarised below.

#### **Agreement for sale and purchase**

The Initial Lender, with full title guarantee shall, subject to payment of the Purchase Price shall sell, and the Issuer shall purchase in relation to each Receivable, all rights, title, interest and benefit of the Initial Lender (both present and future) in and under such Receivable, and including for the avoidance of doubt:

- (a) the right to demand, sue for, recover and give receipts for all sums payable under such Receivable;
- (b) the benefit of all securities and guarantees for such principal moneys and interest and other sums payable (including without limitation, all rights under the Debt Service Reserve Account Charge), the benefit of and the right to sue on all covenants and undertakings in favour of the Initial Lender in each Receivable in respect thereof and the right to exercise all powers in favour of the Initial Lender in relation to each such Receivable; and



- (c) to the extent that they are assignable, all causes and rights of action in favour of the Initial Lender against any person in connection with any report, valuation, opinion, certificate, consent or other statement of fact or opinion given in connection with any such Receivable,

((a) to (c) collectively the “**Related Rights**”).

“**Debt Service Reserve Account Charge**” means the first fixed charge over the Debt Service Reserve Account (as defined under the Loan Agreement) granted by the Borrower in favour of the Facility Agent (as agent of the Lenders under the Loan Agreement) on or about 12 December 2013.

“**Receivable**” means:

- (a) the Loan Agreement and each other Finance Document referred to under the Loan Agreement; and
- (b) the Demand Guarantee.

### **Consideration**

In consideration of the transfer of the Receivables (including the Related Rights), the Issuer shall pay to or to the order of the Initial Lender, the purchase price (consisting of the Initial Purchase Price and the Deferred Purchase Price (each as defined below), collectively, the “**Purchase Price**”) in the manner described below:

- (a) the initial purchase price (“**Initial Purchase Price**”) of U.S.\$149,828,000 shall be payable on Closing Date to the Initial Lender; and
- (b) the deferred purchase price (“**Deferred Purchase Price**”) of U.S.\$10,182.71 shall be payable on the first Note Payment Date following the Closing Date.

### **Conditions precedents to completion**

The sale and purchase of the Receivables is conditional upon the satisfaction of certain conditions precedents on or prior to the Closing Date, including, without limitation:

- (a) the satisfaction of all conditions precedent under the Loan Agreement;
- (b) the utilisation of the entire facility limit by the Borrower under the Loan Agreement;
- (c) the delivery of certain documents relating to the Receivables, including the duly executed Loan Agreement, Demand Guarantee, Debt Service Reserve Account Charge, transfer certificate under the Loan Agreement and any other documents or consents required for the assignment of the Initial Lender’s rights under the Loan Agreement or the Demand Guarantee; and
- (d) evidence satisfactory to the Initial Lender that the Initial Purchase Price payable by the Issuer under the Receivables Purchase Agreement have been (or will be) received by the Initial Lender on or prior to the time of transfer on the Closing Date.

### **Perfection**

The sale and purchase of the Receivables will be perfected by the delivery of perfection notices to each of the Borrower and the Demand Guarantor on or before the Closing Date.

### **Initial Lender Warranties**

The Initial Lender represents and warrants to and for the benefit of the Issuer (as Purchaser) that, *inter alia*:

- (a) it is duly incorporated and validly existing under the laws of Hong Kong with full power and authority to conduct its business as presently conducted and to carry out the terms of the Receivables Purchase Agreement;
- (b) it has duly authorised the Receivables Purchase Agreement by all necessary corporate action, and the Receivables Purchase Agreement constitutes its legal, valid and binding obligation, enforceable against it in

accordance with its terms, and will not result in a breach of, or a default under, any law or any agreement or commitment, or judgment, decree or order, to which it is a party or by which it or any of its assets are bound; the execution, delivery and performance by it of the Receivables Purchase Agreement and the consummation of the transactions contemplated thereby will not result in any such breach or default;

- (c) its execution, delivery and performance of the terms of the Receivables Purchase Agreement will not (i) violate or contravene any provision of law or other governmental directive, whether or not having the force of law, which is applicable to it; (ii) conflict with its constitutional documents; (iii) conflict with or result in a breach of any provision of any agreement or instrument to which it is a party or by which it or any of its assets are bound and (iv) constitute a default or an event that, with the giving of notice or the lapse of time or any other condition, would constitute a default under any such agreement or instrument;
- (d) it is solvent and will not become insolvent by reason of the sale and purchase of the Receivables or any other transactions contemplated by the Receivables Purchase Agreement or the other Transaction Documents; it has not taken any corporate action, nor have any other steps been taken or legal proceedings commenced or threatened against it for its winding-up, dissolution or reorganisation or for the appointment of a receiver, liquidator or similar officer of it or of all or any of its assets or revenues; it is able to pay its debts generally; it has not suspended payment on any of its indebtedness; and it is not subject to any corporate action, legal proceedings or other procedures in relation to a restructuring or reorganisation or any analogous procedure under any similar applicable law (for the purposes of the Receivables Purchase Agreement, "solvent" means (i) its total assets exceed its total liabilities; (ii) it has not suspended payment of its indebtedness; (iii) it is not unable to pay its debts generally as they become due; and (iv) no petition or application has been filed, and no meeting convened for the purposes of considering a resolution, and no other steps taken or threatened, for the liquidation or winding up of, or the commencement of any bankruptcy, corporate reorganisation, composition or other similar proceedings against or in respect of it); and
- (e) it has sole legal and beneficial title to the Receivables, and to the best of the Initial Lender's knowledge, such Receivables are free from any charges or encumbrances and any rights of set-off or counterclaim.

## **THE TRANSACTION ADMINISTRATION AGREEMENT**

The Issuer will enter into the Transaction Administrator Agreement with, *inter alios*, the Transaction Administrator in relation to the provision of certain services in relation to the Receivables, the issue of the Notes and the payment obligations of the Issuer.

### **The Issuer Accounts**

On or before the Closing Date, the Transaction Administrator shall establish, or cause to be established, and is authorised to operate, the note payment account (the "**Note Payment Account**"), the note expense account (the "**Note Expense Account**") and the swap collateral account (the "**Swap Collateral Account**"), each as a segregated interest bearing account in the name of the Issuer with the Account Bank (collectively, the "**Issuer Accounts**").

### **The Note Payment Account**

The Transaction Administrator shall procure that all collections received by it from the Receivables (including the Related Rights) and under the Swap Agreement shall be deposited into the Note Payment Account. On each Note Payment Date, the balance on deposit in the Note Payment Account shall be applied in accordance with the order of priority of payments set out in the Transaction Administration Agreement (see "*The Notes — Priority of Payments at Issuer Level before Enforcement*").

### **The Note Expense Account**

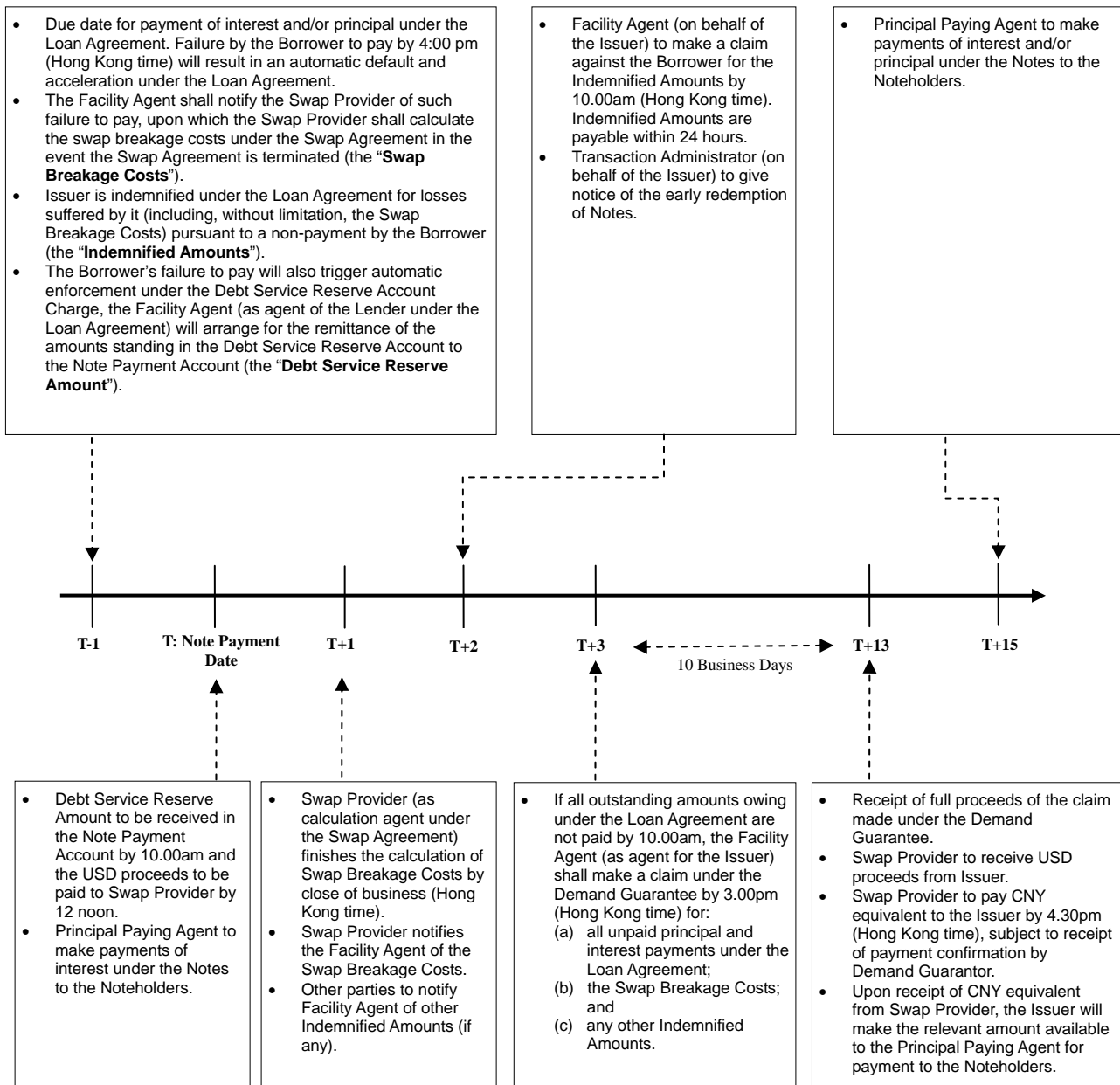
- (a) The Note Expense Account shall be indirectly funded by the issuance proceeds from the Notes on the Closing Date for an amount of U.S.\$172,000.
- (b) The balance on deposit in the Note Expense Account shall, subject to an annual cap, be applied from time to time towards payment of all fees, costs, charges, liabilities, and other expenses in connection with the issuance of the Notes.

### **Change of Account Bank**

- (a) Each Issuer Account shall be maintained with the Account Bank and, except pursuant to the provisions of the Transaction Administration Agreement, shall not be changed in any case without the prior written consent of the Security Trustee.
- (b) Each Issuer Account shall at all times be held with an Account Bank with: (x) short-term unsecured, unguaranteed and unsubordinated debt obligations which are rated P-1 by the Rating Agency and (y) long-term unsecured, unguaranteed and unsubordinated debt or counterparty obligations which are rated A3 or above by the Rating Agency (the “**Minimum Rating**”).
- (c) If at any time the credit rating of the Account Bank as determined by the Rating Agency falls below the Minimum Rating, the Transaction Administrator shall, promptly upon becoming actually aware of the same (and in any event, no later than thirty (30) days thereafter), notify each of the Issuer, the Security Trustee and the Swap Provider thereof, and establish new segregated accounts with another account bank with the Minimum Rating, and enter into a bank agreement with a replacement account bank with the Minimum Rating and transfer all funds on deposit in each Issuer Account to such new accounts. Such new accounts shall replace the Issuer Accounts and shall be subject to the Security.
- (d) If the Transaction Administrator is unable to designate a replacement account bank with the Minimum Rating to accept the Issuer Accounts, the Issuer Accounts shall remain established at the Account Bank or be transferred to such other bank as the Security Trustee may approve as soon as reasonably practicable thereafter. The Transaction Administrator shall promptly notify each of the parties to the Transaction Administration Agreement at the time of such change and notify them of the account details of the new Issuer Accounts.

### **Administration and monitoring of collections under the Receivables**

The Transaction Administrator shall monitor collections received from the Receivables and take any enforcement action in accordance with the timeline below.



### Making a claim under the Demand Guarantee

In the event that payments due under the Loan Agreement are not received on the day it was due, the Facility Agent shall make a claim for such missed payment under the Demand Guarantee in accordance with timeline set out under “*Administration and monitoring of collections under the Receivables*”. Under the terms of the Demand Guarantee, the Demand Guarantor irrevocably undertakes to make a payment in respect of a demand received under the Demand Guarantee within 10 Beijing business days.

The Transaction Administrator shall ensure that all proceeds received by the Facility Agent with respect to any claims made under the Demand Guarantee shall be deposited in the Note Payment Account.

### THE LOAN AGREEMENT

Pursuant to the Loan Agreement, the Initial Lender agrees to make available to the Borrower a U.S.\$ term loan facility with a facility amount of the U.S.\$150,000,000. The key terms of the Loan Agreement are set out in the section “*The Loan Agreement*” below.

On or before drawdown date under the Loan Agreement, the Borrower shall establish a debt service reserve account (the “**Debt Service Reserve Account**”) with the Account Bank. The Borrower shall ensure that the balance on deposit in the Debt Service Reserve Account shall be no less than the interest payable in the immediately following interest period under the Loan Agreement. The Borrower shall grant a first fixed charge over the Debt Service Reserve Account in favour of the Facility Agent (as agent for the Lenders under the Loan Agreement) pursuant to the Debt Service Reserve Account Charge. In the event that the Borrower is unable to pay any interest due under the Loan Agreement by the relevant due date, the Facility Agent shall apply such the balance on deposit in the Debt Service Reserve Account towards payment of such unpaid interest amounts on the immediately following Business Day in accordance with the provisions of the Debt Service Reserve Account Charge.

All rights of the Initial Lender under the Loan Agreement (including any rights under the Debt Service Reserve Account Charge) will be assigned in full to the Issuer pursuant to the Receivables Purchase Agreement. The Issuer will become a new “Lender” under the Loan Agreement upon such assignment taking effect.

Following such assignment, the Issuer (as a new Lender under the Loan Agreement) will be entitled to all rights and benefits as a lender under the Loan Agreement, including, without limitation:

- (a) the right to receive full repayment of principal and interest (including any prepayment proceeds) owing by the Borrower under the Loan Agreement; and
- (b) the benefit of all indemnities given to a lender under the Loan Agreement, including without limitation, an indemnity for any swap breakage costs payable under the Swap Agreement as a result of a default by the Borrower or a mandatory prepayment due to illegality or a Demand Guarantor Trigger Event under the Loan Agreement. See “*The Loan Agreement — Mandatory Prepayment due to illegality*” and “*The Loan Agreement — Mandatory prepayment due to Demand Guarantor Trigger Event*”.

If the Borrower fails to make the necessary payments under the Loan Agreement on the applicable due date, the Facility Agent shall on behalf of the Issuer (as new Lender) notify the Transaction Administrator of such non-payment on the same day, and the Facility Agent shall make a claim under the Demand Guarantee in accordance with the timeline set out under “*Administration and monitoring of collections under the Receivables*”.

The Issuer shall apply U.S.\$ payments so received towards the discharge of the Issuer’s U.S.\$ payment obligations under the Swap Agreement on each Swap Payment Date. On the same Swap Payment Date and subject to receipt of the U.S.\$ funds from the Issuer, the Swap Provider will provide the equivalent CNY amount to the Issuer. The Transaction Administrator (as agent of the Issuer) will make available to the Principal Paying Agent such amounts as may be required to discharge the Issuer’s payment obligations under the Notes on the immediately following Note Payment Date. Accordingly, each interest period under the Loan Agreement will be identical to the corresponding interest period under the Notes.

Voluntary prepayment at the option of the Borrower is not allowed under the Loan Agreement. Accordingly, the loan will only be repayable early on the occurrence of the following events:

- (a) the Facility Agent giving notice to the Borrower of mandatory prepayment resulting from (i) illegality due to illegality, or (ii) a Demand Guarantor Trigger Event. See “*The Loan Agreement — Mandatory Prepayment due to illegality*” and “*The Loan Agreement — Mandatory prepayment due to Demand Guarantor Trigger Event*”; or
- (b) the acceleration of all amounts owing pursuant to the occurrence of an event of default under the Loan Agreement.

## **THE DEMAND GUARANTEE**

The payment obligations of the Borrower under the Loan Agreement are irrevocably guaranteed by the Demand Guarantor under the Demand Guarantee issued in favour of the Initial Lender. On or before the Closing Date, all rights of the Initial Lender under the Demand Guarantee will be assigned in full to the Issuer pursuant to the Receivables Purchase Agreement. The key terms of the Demand Guarantee are set out in the section “*The Demand Guarantee*” below.

## **THE KEEPWELL LETTER**

HBISG has issued the Keepwell Letter in favour of each Lender (including the Issuer as a new Lender) and Facility Agent in respect of the Loan Agreement. Under the Keepwell Letter, HBISG has agreed to maintain the shareholder in the Borrower and to provide financial support to the Borrower to meet its obligations under the Loan Agreement. This letter does not represent a guarantee or a legally binding obligation of HBISG and is not enforceable by the Lender(s) or Noteholders. See section "*The Keepwell Letter*" below.

## **RISK FACTORS**

*In addition to other information in this Offering Circular, investors should carefully consider the following risk factors, together with all other information contained in this Offering Circular, before purchasing the Notes. The risks and uncertainties described below may not be the only ones involved. All risk factors described below are contingencies which may or may not occur and the parties involved are not in a position to express any view on the likelihood of any such contingency occurring. The following is not intended to be exhaustive and prospective purchasers of the Notes should also take independent tax, legal and other relevant advice as to the structure and viability of making an investment in the Notes.*

*This Offering Circular may also contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.*

### **Limitations of this Offering Circular**

This Offering Circular does not purport to nor does it contain all information that a prospective investor in or existing holder of the Notes may require in investigating the Issuer, the Borrower or the Demand Guarantor prior to making an investment or divestment decision in relation to the Notes. Neither this Offering Circular nor any document or information (or any part thereof) delivered or supplied under or in relation to the Notes (or any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Lead Manager that any recipient of this Offering Circular or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Notes.

This Offering Circular is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Notes is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such a determination. Each person receiving this Offering Circular acknowledges that such person has not relied on the Issuer, its subsidiaries and/or its associated companies, the Lead Manager or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision.

Any recipient of this Offering Circular contemplating subscribing for or purchasing or selling any of the Notes should determine for itself the relevance of the information contained in this Offering Circular and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely on its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Borrower or the Demand Guarantor, the terms and conditions of the Notes and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax and financial advisers prior to deciding to make an investment in the Notes.

Information contained in this Offering Circular relating to the Borrower has been provided by the Borrower pursuant to the Loan Agreement. None of the Issuer, the Lead Manager, the Trustee, the Security Trustee, the Swap Provider, the Transaction Administrator, the Agents, the Facility Agent or the Account Bank has separately verified such information nor do they make any representation as to the accuracy and completeness of such information. In the event that information relating to the Borrower is inaccurate, the Noteholders will only have indirect recourse to the Borrower through the security assignment provided by the Issuer in favour of the Trustee (who holds that security on behalf of the Noteholders and the other Secured Parties) over the Issuer's rights under the Loan Agreement. This includes any rights the Issuer may have to sue the Borrower for breach of representation as to the accuracy of such information and rights under the corresponding indemnity. In the event that information relating to the Demand Guarantor is inaccurate, the Noteholders will not have recourse to anyone.

### **Risks Relating to the Notes**

#### ***Limited liquidity of the Notes***

There can be no assurance regarding the future development of the market for the Notes or the ability of the Noteholders, or the price at which the Noteholders may be able, to sell their Notes. The Notes may have no established trading market when issued and one may never develop. Even if a market for the Notes does develop, it may not be

very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

### ***Interest rate risk***

Noteholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in note prices, resulting in a capital loss for the Noteholders. However, the Noteholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, note prices may rise. The Noteholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

### ***Inflation risk***

Noteholders may suffer erosion on the return of their investments due to inflation. Noteholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

### ***The Notes may not be a suitable investment for all investors***

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement to this Offering Circular;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

### ***Modification***

The terms and conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### ***The Noteholders have limited recourse against the Issuer's obligations***



There may be insufficient moneys to meet the payment obligations under the Notes following an enforcement of the Trust Deed or the Security Package. The money in the Issuer Accounts and any other money received by the Issuer under the Receivables and the Transaction Documents are the only assets available to the Issuer to support its obligations in respect of the Notes and, in the event of the enforcement of the Trust Deed or the Security Package, the Trustee will have recourse only to the Security as constituted under the Security Package.

### ***Subordination***

The payment of principal and interest on the Notes are subordinated to payments towards taxes and other senior expenses payable to other parties (subject to an annual cap). See “*Transaction Summary — Priority of Payments at Issuer Level before Enforcement*” and “*Transaction Summary — Priority of Payments at Issuer Level after Enforcement*”.

### ***Withholding taxes under the Notes***

All payments in respect of the Notes will be made free and clear of, and without withholding or deduction for, any present or future Taxes, unless such withholding or deduction is required by law. The Issuer shall not be obliged to make any additional payments as a result of the imposition of such withholding taxes on the Notes. Any amount which the Issuer is obliged to withhold or deduct from payments in respect of the Notes on account of Tax will not be paid by any party. The Issuer has, however, received an undertaking from the Governor-in-Council of the Cayman Islands that generally provides that for a period of twenty years from the date of the undertaking, no new law imposing, among others, any withholding tax levied on profits, income, gains or appreciations shall apply to the Issuer.

### ***The Notes are subject to early redemption under certain circumstances***

Upon the occurrence of an Early Redemption Event, the Issuer shall apply any Early Redemption Proceeds received and to be received by it towards the redemption of the principal amount outstanding of the Notes on the immediately following Note Payment Date at the Early Redemption Amount in accordance with Condition 6.

### ***The assets of the Issuer may be insufficient to redeem the Notes at their expected value upon an event of default***

There is no assurance that, upon any event of default of the Issuer with respect to the Notes, the assets available to the Issuer will be sufficient to redeem the Notes in an amount that the holders thereof would have expected to receive in the event that the Notes redeemed in accordance with their terms on the Expected Maturity Date (or, if applicable, the Early Redemption Date).

### ***Payments in respect of the Notes will only be made to investors in the manner specified in the Notes***

All payments to investors in respect of the Notes will be made solely (i) when the Notes are represented by a global certificate, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing CMU rules and procedures, or (ii) when the Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in bank notes, by cheque or draft, or by transfer to a bank account in the PRC).

### ***The Notes will initially be represented by the Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the clearing system***

The clearing system will maintain records of the beneficial interests in the Global Certificate. While the Notes are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the clearing system. While the notes are represented by the Global Certificate the Issuer will discharge its payment obligations under the Notes by making payments to the relevant participants of such clearing system for distribution to their account holders. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies.

### ***Changes in English law, which governs the Notes, may adversely affect holders of the Notes***

The Notes and all non-contractual obligations arising under it will be governed by English Law. No assurance can be given as to the impact of any possible judicial decision or change to English law or procedural practice after the date of the issue of the Notes.

### **Risks Relating to the Issuer**

#### ***No investigation has been made in respect of the Issuer***

No investigation, and limited searches and enquiries, have been made by or on behalf of the Issuer and no investigations, searches or enquiries have been made by or on behalf of any party, in respect of the Issuer.

#### ***The Issuer has no operating history and no other assets***

The Issuer is a newly-formed special purpose vehicle and has no operating history and no material assets. The Issuer will not engage in any business activity other than the issuance of the Notes, the purchase of Receivables under the Receivable Purchase Agreement, other activities conducted in connection with the payment of amounts in respect of the Notes and other activities incidental or related to the foregoing.

#### ***Counterparty risk***

The ability of the Issuer to meet its obligations under the Notes will depend on: (i) the ability of the Borrower to make timely payments under the Loan Agreement, failing which, the ability of the Demand Guarantor to pay under the Demand Guarantee; and (ii) the ability of the Swap Provider to perform its obligations under the Swap Agreement. To the extent that any of the parties above are unable to discharge their obligations in a timely manner, the ability of the Issuer to meet its obligations to pay principal and interest under the Notes will be affected. Accordingly, investors are relying heavily on the creditworthiness of those parties.

#### ***The insolvency laws of the Cayman Islands may differ from those of another jurisdiction with which the Noteholders are familiar***

The Issuer is incorporated under the laws of the Cayman Islands. Any insolvency proceeding relating to the Issuer would likely involve the Cayman Islands' insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Noteholders are familiar.

### **Risks Relating to the Receivables**

#### ***True sale of the Receivables***

Although a legal opinion will be obtained on the true sale nature of sale of the Receivables under the Receivables Purchase Agreement, such opinion will be qualified to be based on certain facts that are and/or will be represented and warranted as correct by the Initial Lender (as seller of the Receivables) under the Receivables Purchase Agreement. No assurance can be made as to the accuracy of such facts, representations and warranties. A breach of those representations and warranties may affect the true sale nature of the sale of the Receivables.

#### ***Performance risk of the Transaction Administrator and Facility Agent***

Each of the Transaction Administrator and Facility Agent plays a critical role in ensuring that sufficient proceeds are received under the Receivables for the purposes of making payments of interest and principal under the Notes. In the event that either party fails to discharge such duties in a timely manner (for example, by failing to make a claim under the Demand Guarantee within the prescribed time following any non-payment under the Loan Agreement), payments of interest and principal under the Notes may be affected.

### **Risks Relating to the Demand Guarantee**

#### ***There may be uncertainty relating to the enforceability of and interpretation of the provisions of the Demand Guarantee***

On 30 July 2010, SAFE issued the Circular on the Issues Regarding the Administration of External Security by Domestic Institutions (关于境内机构对外担保管理问题的通知) (“**Circular 39**”). Pursuant to Circular 39, the management of provision by onshore banks of financing guarantees was changed from a case-by-case approval system to the quota system, applicable to financing guarantees for both onshore and offshore debtors, whereas the management of provision by onshore non-bank entities remains under the case-by-case approval system except that certain qualified entities may be managed under a quota system if approved by SAFE. Although the Demand Guarantor is a non-bank entity, it is treated by SAFE as a bank in terms of management of provisions by it of outbound guarantees, i.e. it is administrated under a quota system in a same way as a PRC bank.

Under the new quota system, an onshore bank as a legal person may apply for a quota from SAFE for external guarantees. The quota obtained by an onshore bank may be directly used by itself, or divided and distributed to its onshore branches for use. So long as the financing guarantee to be issued by an onshore bank or one of its branches falls within the SAFE-approved quota for such bank, such bank or such branch may issue the financing guarantee without any further SAFE approval or verification and, unlike the requirements under the old regime, the debtor in question is not subject to restrictions such as equity relationships with onshore institutions, net asset ratio, profit making status. Circular 39 also provides that, the head office of a bank or the principal reporting bank that manages the quota in a centralised manner shall, within the first five working days of each month, comply with the regular record-filing formalities for external guarantee with SAFE. A bank that has completed the record-filing formalities shall be deemed to have completed the registration and SAFE will no longer issue external guarantee registration certificates to the bank. So long as a financing guarantee is provided by a bank within its quota, the failure to file that guarantee on a monthly portfolio basis with SAFE will not invalidate such financing guarantee. However, if an onshore bank provides external guarantee beyond the quota approved by SAFE, the external guarantee in question may still become invalid from a PRC legal perspective.

Under the Demand Guarantee, the Demand Guarantor will undertake to guarantee all payments due under the Loan Agreement between the Borrower and the Lender. The Demand Guarantee may become invalid and may not be enforceable under the PRC law if the Demand Guarantor provides external guarantee beyond the quota approved by SAFE. Moreover, Circular 39 is a recent regulation. As such, its interpretation may involve significant uncertainty, which may adversely affect the enforceability of the Demand Guarantee in the PRC. In addition, the administration of Circular 39 may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the Demand Guarantee may not be invalidated or become unenforceable in the future or that future changes in the PRC laws and regulations may not have a negative impact on the validity and enforceability of the Demand Guarantee in the PRC.

The uncertainty surrounding the interpretation of Circular 39 generally applies uniformly across all financial guarantees issued by onshore banks which are subject to the new quota system. In the present case, the Demand Guarantor has given specific representations and warranties to the effect that the issuance of the Demand Guarantee would not result in the Demand Guarantor exceeding its quota under the new quota system.

The Demand Guarantee is governed by PRC law and contains provisions similar to those contained in customary commercial guarantees governed by English or Hong Kong law. However, there can be no assurance that the PRC Courts would interpret provision of the Demand Guarantee in a manner similar to the English or Hong Kong courts. Further, the procedures and timing for taking action in the PRC Courts may be different from those investors are accustomed to in the English and Hong Kong Courts. In addition, the Demand Guarantor is an agency of the PRC government and whilst legal advice has been obtained that it is not entitled to state immunity in the PRC, there can be no assurance that this will not change in the future.

## **Risks Relating to the Demand Guarantor**

### ***Credit risk of the Demand Guarantor as a separate entity***

The Demand Guarantor’s financial obligations, including those under the Demand Guarantee, are not guaranteed by the PRC government. Nor is the PRC government (including the Demand Guarantor’s current shareholders) legally obliged to make any capital injections to ensure that the Demand Guarantor maintains its minimum capital adequacy requirements.

As such, any support that may be provided by the PRC government does not constitute a guarantee with respect to the obligations of the Demand Guarantor under the Demand Guarantee. Accordingly, neither the Issuer nor the Security Trustee may enforce any capital support obligation against the PRC government. Furthermore, there is no financial

support or guarantee provided by the Demand Guarantor's shareholders or any other third party to guarantee or otherwise secure any financial obligations of the Demand Guarantor, including those under the Demand Guarantee.

Additionally, the credit quality of the Demand Guarantor may deteriorate due to many factors, including without limitation: (a) diminishing strategic importance due to changes in its policy role, or weakening in its relationship with the government; (b) a downgrade of China's sovereign ratings (notwithstanding the risks set out in the paragraphs above); (c) a reduction in government ownership; (d) a material increase in insurance claims against the Demand Guarantor; (e) the inability to retain the minimum fund capital adequacy ratio; and (f) the inability of the Demand Guarantor to maintain adequate reinsurance or other risk diversification or risk minimisation strategies. Moreover, given its nature as a policy-oriented export credit agency, profit maximisation may not be the primary objective of the Demand Guarantor.

#### ***Availability of public information on the Demand Guarantor***

The Demand Guarantor is not rated by leading credit rating agencies and the Demand Guarantor is not listed on any stock exchange. Accordingly, no credit rating reports on the Demand Guarantor are available from such credit rating agencies and there is less publicly available information about the Demand Guarantor than is regularly made available by public companies in certain other countries.

***Certain facts and statistics and information relating to the Demand Guarantor are derived from publications not independently verified by the Issuer, the Lead Manager, the Borrower or the Initial Lender or their respective advisors***

Facts and statistics in this Offering Circular relating to the PRC's economy and information relating to the Demand Guarantor are derived from publicly available sources. While the Issuer has taken reasonable care to ensure that the facts and statistics or information relating to the Demand Guarantor presented are accurately extracted from such sources, such facts, statistics and information have not been independently verified by the Issuer, the Lead Manager, the Borrower, the Initial Lender or their respective advisors and, therefore, none of them makes any representation as to the accuracy of such facts and statistics or information, which may not be consistent with other information compiled within or outside the PRC. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

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

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

#### **Risks Relating to the Keepwell Letter**

***The Keepwell Letter is neither legally binding nor a guarantee from HBISG and HBISG is not legally obligated to support the Borrower in the manner contemplated by the Keepwell Letter***

The Keepwell Letter provided by HBISG in favour of each Lender (including the Issuer as a new Lender) and Facility Agent in respect of the Loan Agreement is not legally binding. It is not a guarantee by HBISG. Accordingly, the Issuer cannot assure investors that HBISG will provide the level of support to the Borrower in the manner contemplated by the Keepwell Letter. In addition, neither the Lender(s) or the Noteholders will be able to bring any action against HBISG to enforce the Keepwell Letter. Furthermore, even if HBISG intends to provide financial support to the Borrower to meet its payment obligations under the Loan Agreement, depending on the manner in which HBISG provides the financial support, such financial support may be subject to obtaining prior consents, approvals, registration and/or fillings from relevant PRC governmental authorities (including the NDRC, MOFCOM and SAFE) and there is no assurance that these can be readily obtained.

#### **Risks Relating to the Business of the Borrower**

***Availability of public information on the Borrower***

The Borrower is not listed on any stock exchange. There is less publicly available information about the Borrower than is regularly made available by public companies in certain other countries.

***Volatility in the prices of raw materials and heavy reliance on imported raw materials could adversely affect the Borrower's operation.***

Raw materials costs comprise a large portion of the overall production costs of steel products. Iron ore is the main raw material used in steel production and is subject to significant price volatility and availability of supply. HBISG, the parent's company of the Borrower, and its subsidiaries (the "Parent Group") relies heavily on iron ore imported from overseas (such as Australia and Brazil) and the Borrower's main business is to secure and source iron ore from overseas suppliers including Rio Tinto, BHP Billiton and Vale. The availability and price of iron ore is subject to market forces and overseas government policies which are largely beyond the control of the Parent Group. Iron ore price and availability may be negatively affected by factors including but not limited to increases in global demand for raw materials, depletion of existing sources and decreasing availability of new sources, interruptions in production by suppliers, the bargaining power of raw material suppliers, suppliers' allocations to other purchasers and the business continuity of suppliers, wars, natural disasters and other similar events. The fluctuations in iron ore price could have a material impact on the Borrower's operations and financial performance.

The raw materials industry is highly concentrated and suppliers in recent years have had significant pricing power. Further consolidation among suppliers would exacerbate this trend. Speculations by funds, decreasing availability of new sources of raw materials and increase in pricing power of suppliers have increased the volatility of raw material prices. There can be no assurance that the Borrower will be able to secure a sufficient supply of raw materials at commercially acceptable prices.

***The Borrower relies on the funding from and support by the Parent Group and any deterioration in the financial condition of the Parent Group may adversely affect the Borrower***

The Borrower relies heavily on the support from the Parent Group both financially, as a key source of funding and managerially, through senior management appointment. Mainly focusing in the business of purchasing iron ore from overseas suppliers, the Borrower must always ensure it has the adequate cash flows to satisfy its payment obligations to overseas suppliers. If the Parent Group experiences any financial difficulties and is unable to continue the same level of support to Borrower, this may materially and adversely impact the Borrower's cash flows and its ability to fulfil its contractual obligations and hence damaging the reputation of the Borrower and the Parent Group as a whole.

**Risks Relating to the Parent Group's Business and Industry**

*Investors should be aware that there is no financial support (including but not limited to guarantees) from the Parent Group in relation to the Issuer's obligations under the Notes nor is HBISG or any of its subsidiaries (other than the Borrower) a party to any Transaction Documents or any relevant agreement with respect to the Notes. The information below relating to the Parent Group and the steel industry in general is provided solely for the purposes of providing the context to the business and operations of the Borrower, which is relevant in the context of the Notes insofar as the business and operations of the Borrower may be indirectly affected as a result of any adverse impact on the Parent Group's business arising from the risk factors detailed below.*

***Excess capacity and oversupply in the steel industry globally may hamper the steel industry's recovery and prolong the downward cycle***

During periods of economic downturn, global steel production capacity exceeds global steel consumption, resulting in manufacturers in certain countries exporting significant amounts of steel and steel products at very low prices. In the PRC, there has always been a problem of excess capacity in steel production and product homogeneity. In particular, utilisation capacity is estimated to stand at approximately 77% in 2013 and steel consumption is expected to grow at slow pace of approximately 2 to 3% in 2013 and to remain stable in the mid-term as recovery of the domestic economy returns to normal levels. This can result in downward pressure on domestic steel prices in the PRC, which could materially and adversely affect the Parent Group's business, results of operations, financial condition and cash flows. There can be no assurance that the Parent Group will be able to continue to compete successfully in this economic environment or that production over-capacity will not have a material adverse effect on its business, results of operations and financial condition.

***The price of steel is subject to significant fluctuation as a result of cyclical demand for steel products***

The industries, in which the Parent Group's products are used, such as road and railway construction, infrastructure construction, automobile and consequently demand for steel products, are cyclical in nature. Fluctuations in the performance of related downstream industries will cause the demand in steel products, and consequently the prices at which the Parent Group is able to sell its products, to fluctuate significantly. In addition, when steel prices increase, customers may delay purchasing decisions until the steel prices have stabilised. The fluctuations in steel prices could cause the Parent Group's results of operations to vary significantly and may adversely affect the Parent Group's business, financial position, results of operations and prospects.

***The PRC steel industry is fragmented which may erode pricing power and inhibit the growth of the industry***

Among major steel producing countries, the PRC's steel industry is the most fragmented, with the top three steel producers accounting for only less than 1/5 of the overall crude steel production according to the China Iron & Steel Association. Such fragmentation may erode the Parent Group's ability to set the prices of its products, and may inhibit the growth of the industry.

***Consolidation in the global steel industry may increase competition***

The markets in which steel companies operate are highly competitive, and competition could cause the Parent Group to lose its market share, increase its expenditures or reduce its prices. There has been a trend toward industry consolidation among the Parent Group's competitors in the domestic and international steel markets. The Parent Group's main competitors may use their resources, which may be greater than the Parent Group's, against it in a variety of ways, including by making additional acquisitions, investing in the procurement and production of raw materials, investing more aggressively in product development and capacity increases and displacing demand for the Parent Group's products. Any of these developments could have a material adverse effect on the Parent Group's business, financial condition, results of operations and prospects.

***Competition from steel substitutes may reduce the demand for steel products***

The Parent Group's revenue and profitability may also be reduced by a decrease in market prices caused by competition from other materials that can substitute for steel and demand for steel products. In many applications, steel competes with other materials that may be used as substitutes, such as aluminium (particularly in the automobile industry), cement, composites, glass, plastic and wood. The development of other new substitutes for steel products could significantly reduce market prices and demand for steel products and therefore adversely affect the Parent Group's business, financial condition, results of operations and prospects.

**Risks Relating to the PRC**

***Fluctuations in exchange rates***

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate significantly and is affected by, among other things, the domestic and international economies, political conditions and the supply and demand of currency. Under current government policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in an appreciation in the value of the Renminbi against the U.S. dollar. It is possible that the PRC government could adopt a more flexible currency policy, which could result in further and more significant revaluations of the Renminbi against the U.S. dollar or any other foreign currency.

Although the Issuer has hedged its exposure to currency fluctuations through the Swap Agreement, any fluctuations in the value of the Renminbi as against major currencies may affect the ability of the Borrower to make timely repayments under the Loan Agreement.

***The Renminbi is not freely convertible***

There are significant restrictions on the remittance of Renminbi into and outside the PRC, and the availability of Renminbi funds for servicing the Notes or for providing liquidity with respect to the Notes may be subject to future limitations imposed by the PRC government.

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between the Renminbi and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the pilot scheme will not be terminated or amended in the future, which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the Notes. To the extent the Swap Provider is required to source Renminbi in the offshore market to service the Notes, there is no assurance that it will be able to source such Renminbi on satisfactory terms, if at all.

***Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC government could adversely affect the Demand Guarantor's operations***

The Demand Guarantor is based in the PRC and its assets are substantially located in the PRC. Therefore, the results of its operations, financial condition and prospects are, to a significant degree, affected by the economic, political, legal developments and government policies in the PRC.

The PRC's economy has continuously maintained a steady growth for a number of years. The growth rate of PRC's GDP reached 7.7% during the first quarter of 2013 compared to the same period of last year. However, global economic conditions are still comparatively unstable and uncertain and while it is projected that the PRC economy will continue to grow in the years to come there is no assurance that it will be able to sustain or replicate the growth rate it has experienced in the past. Changes in market conditions and pattern of economic growth, as well as reform and consolidation of industries may affect various PRC industries and businesses, which in turn may adversely affect the Demand Guarantor's operations and financial conditions.

Furthermore, although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to drive economic development. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, while some of these measures may benefit the overall PRC economy, others may also have a less positive impact on the country's economy and may negatively affect various industries and businesses across the PRC, including the Demand Guarantor's customers.

***The PRC legal system is constantly evolving and has inherent uncertainties that could limit available legal recourse***

PRC procedural and substantive laws may differ from comparable provisions of the local laws of jurisdictions with which the Noteholders are familiar. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. The interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, and may not be as consistent or predictable as in other more developed legal systems. These uncertainties may impede the ability of the Facility Agent to enforce the Demand Guarantee. In addition, any litigation in the PRC may be protracted and result in incurring substantial costs and time.

## **USE OF PROCEEDS**

The Issuer will apply all proceeds of the issue of the Notes amounting to CNY910,000,000 towards payment to the Swap Provider of its initial exchange amount in CNY under the Swap Agreement in return for the corresponding initial exchange amount in U.S.\$ from the Swap Provider which will be used for (a) the purchase of the Receivables under the Receivables Purchase Agreement; and (b) to fund the Note Expense Account up to an amount of U.S.\$172,000.



## TERMS AND CONDITIONS OF THE NOTES

*The following (other than the words in italics) is the text of the Terms and Conditions of the Notes which will appear on the reverse of each of the definitive certificates evidencing the Notes:*

The issue of CNY910,000,000 3.95 per cent. Secured Notes due 2016 was authorised by a resolution of the Board of Directors of Panda Funding Investment 2013 (the “**Issuer**”) passed on 12 December 2013. The Notes are constituted by a trust deed (the “**Trust Deed**”) dated on or about 18 December 2013 (the “**Closing Date**”) between the Issuer and DB Trustees (Hong Kong) Limited as Trustee (the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Notes. These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Notes. An agency agreement dated on or about 18 December 2013 (the “**Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, the Trustee, Deutsche Bank AG, Hong Kong Branch as CMU lodging agent (the “**CMU Lodging Agent**”), principal paying agent (the “**Principal Paying Agent**”), reference agent (the “**Reference Agent**”) and registrar (the “**Registrar**”), any paying agents (each a “**Paying Agent**”), any transfer agents (each a “**Transfer Agent**”) and any other agents named in it. “**Agents**” means the CMU Lodging Agent, the Principal Paying Agent, the Reference Agent, the Registrar, the Paying Agents, the Transfer Agents and any other agent or agents appointed from time to time with respect to the Notes. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the specified offices of the Trustee and the Principal Paying Agent. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Agency Agreement applicable to them.

### 1 Form, Denomination and Title

- (a) **Form and denomination:** The Notes are issued in registered form, in the denomination of CNY1,000,000 each and in integral multiples of CNY10,000 in excess thereof. A certificate (each, a “**Definitive Certificate**”) will be issued to each holder of Notes in respect of its registered holding of Notes. Each Definitive Certificate shall be numbered serially and shall have an identifying number which shall be recorded on the relevant Definitive Certificate and in the register of holders of the Notes (the “**Register**”).

*Upon issue, the Notes will be represented by a global certificate (the “**Global Certificate**”) registered in the name of the Hong Kong Monetary Authority (“**HKMA**”), and lodged with a sub-custodian of the HKMA as operator (the “**Operator**”) of the Central Moneymarkets Unit Service (“**CMU**”). The Conditions are modified by certain provisions contained in the Global Certificate. See “*Summary of Provisions Relating to the Notes in Global Form*”.*

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

- (b) **Title:** Title to the Notes shall pass only by transfer and registration of title in the Register. The holder of any Note shall, except as otherwise required by law, be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on (other than the endorsed form of transfer), or the theft or loss of, the Definitive Certificate issued in respect of it), and no person shall be liable for so treating the holder. In these Conditions, “**Noteholder**” and (in relation to a Note) “**holder**” shall mean the person in whose name a Note is registered in the Register (or in the case of a joint holding, the first name thereof).

### 2 Status

The Notes constitute direct, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.

### 3 Transfers of Notes and Issue of Definitive Certificates

- (a) **Register:** The Issuer will cause the Register to be kept at the specified office of the Registrar (which shall be outside the United Kingdom in all circumstances) and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders of the Notes and the particulars of the Notes held by them and of all transfers of the Notes. Each Noteholder shall be entitled to receive only one Definitive Certificate in respect of its entire holding of Notes.
- (b) **Transfers:** Subject to the Agency Agreement and Conditions 3(e) and 3(f) herein, a Note may be transferred by delivery of the Definitive Certificate issued in respect of that Note, with the form of transfer endorsed on such Definitive Certificate duly completed and signed by the holder or his attorney duly authorised in writing, to the specified office of the Registrar or the Transfer Agent. No transfer of title to a Note will be valid unless and until entered on the Register.

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

- (c) **Delivery of new Definitive Certificates:** Each new Definitive Certificate to be issued upon a transfer of Notes will, within seven business days (as defined below) of receipt by the Registrar or, as the case may be, any Transfer Agent of the Definitive Certificate and the form of transfer duly completed and signed, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Notes but free of charge to the holder and at the Issuer's expense to the address specified in the form of transfer. The form of transfer is available at the specified offices during the normal office hours between 9am to 3pm of the Transfer Agents.

Where only part of a principal amount of the Notes (being that of one or more Notes) in respect of which a Definitive Certificate is issued is to be transferred or exchanged, a new Definitive Certificate in respect of the Notes not so transferred or exchanged will, within seven business days of delivery of the original Definitive Certificate to the Registrar or Transfer Agent, be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred or exchanged (but free of charge to the holder and at the Issuer's expense) to the address of such holder appearing on the Register.

In this Condition 3, "**business day**" shall mean a day (other than a Saturday, Sunday or public holiday) on which banks are open for business in the city in which the specified office of the Registrar or (as the case may be) such Transfer Agent with whom a Definitive Certificate is deposited in connection with a transfer or exchange, is located.

- (d) **Formalities free of charge:** Registration of a transfer of Notes and issuance of new Definitive Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security and/or prefunding as the Issuer or any of the Agents may require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfer of Notes have been complied with.
- (e) **Closed periods:** No Noteholder may require the transfer of a Note to be registered during the period of (i) 7 days ending on (but excluding) the due date for any payment of principal in respect of that Note, (ii) during the period of ten days ending on (and including) any Record Date (as defined in Condition 7(a)), or (iii) after any such Note has been called for redemption.
- (f) **Regulations:** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee. A copy of the current regulations will be mailed (free of charge to the Noteholder and at the Issuer's expense) by the Registrar to any Noteholder upon written request and is available during normal office hours between 9am to 3pm (local time) at the specified offices of the Transfer Agent.

#### 4 Security and Negative Pledge

- (a) **Security:** The obligations of the Issuer to the Noteholders under the Notes and the Trust Deed are secured by the security interests (the “**Security**”) pursuant to:
- (i) a first ranking security assignment (the “**Security Assignment**”) given by the Issuer in favour of the Security Trustee over (x) all its rights, title, interest and benefit (present and future, actual and contingent) in, to and under the Loan Agreement and (y) all proceeds arising under the Demand Guarantee, and (z) all its rights, title, interest and benefit (present and future, actual and contingent) in, to and under each Transaction Document and any other agreement or document incidental or ancillary to the Transaction Documents to which the Issuer is a party; and
  - (ii) a first ranking charge (the “**Accounts Charge**”) given by the Issuer in favour of the Security Trustee of all its rights, title, interest and benefit (present and future, actual and contingent) in and to all sums of money which may now be or hereafter are from time to time standing to the credit of each and all of the Issuer Accounts and any other bank accounts in which the Issuer may at any time acquire any right, title or interest or benefit, together with all interest accruing from time to time thereon and the debts represented thereby.
- (b) **Enforcement:** If there has been an Event of Default or in any other event where the Security becomes enforceable, the Trustee may, in accordance with the provisions of the Trust Deed and the Security Documents, instruct the Security Trustee to enforce the Security. Each of the Trustee and the Security Trustee shall not be bound to take any such proceedings or action, unless it is indemnified and/or secured and/or prefunded to its satisfaction.
- (c) **Application of proceeds:** Under the Security Documents and the Trust Deed, all moneys received by the Security Trustee and the Trustee in connection with the realisation or enforcement of the Security will, regardless of any appropriation of all or part thereof by the Issuer, be held by the Security Trustee and the Trustee on trust and applied in accordance with the Security Documents and the Trust Deed respectively.
- (d) **Discharge:** Save as provided under this Condition, the Security shall be discharged as soon as reasonably practicable upon the date on which (A) all of the Notes have been redeemed in full, and (B) all secured obligations of the Issuer under the Transaction Documents have been satisfied in full. The Issuer shall promptly notify the Trustee and Security Trustee in writing of any discharge pursuant to this Condition.
- (e) **Negative pledge:** So long as any Note remains outstanding (as defined in the Trust Deed), except for the Security over the Secured Property, the Issuer will not 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 any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Notes (A) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (B) such other security as either (a) the Trustee may in its absolute discretion deem not materially less beneficial to the interest of the Noteholders or (b) as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

In these Conditions:

- (i) “**Account Bank**” means Deutsche Bank AG, Hong Kong Branch;
- (ii) “**Borrower**” means Hebei Iron & Steel (Hong Kong) International Trade Co., Limited;
- (iii) “**Demand Guarantee**” means the demand guarantee dated on or about 13 December 2013 issued by China Export & Credit Insurance Corporation, Hebei Branch;
- (iv) an “**Event of Default**” means any of the events set out in Condition 9;

- (v) **“Facility Agent”** means Deutsche Bank AG, Hong Kong Branch;
- (vi) **“Initial Lender”** means Standard Chartered Bank (Hong Kong) Limited, including its successors and assigns;
- (vii) **“Issuer Accounts”** means the note payment account, the note expense account and the swap collateral account, each as an interest bearing account in the name of the Issuer with the Account Bank;
- (viii) **“Issuer Administrator”** means Intertrust SPV (Cayman) Limited;
- (ix) **“Loan Agreement”** means the loan agreement dated 12 December 2013 between, among others, the Initial Lender and the Borrower, in relation to a term loan for U.S.\$150,000,000;
- (x) **“Receivables Purchase Agreement”** means the receivables purchase agreement dated 18 December 2013 between, among others, the Issuer and the Initial Lender;
- (xi) **“Relevant Indebtedness”** means any indebtedness 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;
- (xii) **“Secured Parties”** means the Security Trustee for itself and on behalf of the Trustee (for itself and on behalf of the Noteholders), the Agents, the Account Bank, the Swap Provider, the Transaction Administrator, the Facility Agent and the Issuer Administrator;
- (xiii) **“Secured Property”** means the assets, shares, rights, interests and benefits subject to the Security;
- (xiv) **“Security Documents”** means the Security Trust Deed, the Security Assignment and the Accounts Charge;
- (xv) **“Security Trust Deed”** means the security trust deed dated 18 December 2013 between the Issuer and the Security Trustee (for itself and on behalf of the Secured Parties);
- (xvi) **“Security Trustee”** means DB Trustees (Hong Kong) Limited as security trustee (on behalf of itself, the Trustee, the Noteholders and other Secured Parties);
- (xvii) **“Swap Agreement”** means a 1992 ISDA Master Agreement (Multicurrency-Cross Border) together with a schedule, confirmation and credit support annex dated on or about 16 December 2013 between, among others, the Issuer and the Swap Provider;
- (xviii) **“Swap Provider”** means Standard Chartered Bank;
- (xix) **“Transaction Administration Agreement”** means the transaction administration agreement dated 18 December 2013 between, among others, the Transaction Administrator and the Issuer;
- (xx) **“Transaction Administrator”** means Deutsche Bank AG, Hong Kong Branch; and
- (xxi) **“Transaction Documents”** means the Trust Deed, the Agency Agreement, the Receivables Purchase Agreement, the Security Documents, the Transaction Administration Agreement and the Swap Agreement.

## 5 Interest

- (a) **Interest Payments:** The Notes bear interest on their outstanding principal amount from and including 18 December 2013 at a rate of 3.95 per cent. per annum, payable quarterly in arrear on 17 March, 17 June, 17 September and 17 December in each year (each a **“Note Payment Date”**), commencing on 17 March 2014. If any Note Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless that day falls

in the next calendar month, in which case it shall be brought forward to the immediately preceding business day.

Each Note will cease to bear interest from the Expected Maturity Date (or, if applicable, the Legal Maturity Date) unless, upon surrender of the Definitive Certificate representing such Note, payment of principal 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 (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

In these Conditions, the period beginning on and including 18 December 2013 and ending on but excluding the first Note Payment Date and each successive period beginning on and including an Note Payment Date and ending on but excluding the next succeeding Note Payment Date is called an “**Note Interest Period**”.

- (b) **Determination of Interest Amounts:** The Reference Agent will, as soon as practicable after 11:00am (Hong Kong time) on the second business day before the beginning of each Note Interest Period, calculate the amount of interest (the “**Interest Amount**”) payable per Calculation Amount (as defined in Condition 5(c)) for such Note Interest Period.
- (c) **Calculation of Interest:** Interest in respect of any Note will be calculated per CNY10,000 in principal amount of the Notes then outstanding as at the first day (taking in account all payments (if any) of the principal amount of the Notes on such day) of the relevant Note Interest Period (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period will be calculated by applying the rate of interest specified in Condition 5(a) to the Calculation Amount and multiplying such product by the actual number of days in the Note Interest Period concerned divided by 365 and rounding the resulting figure to the nearest CNY0.01 (CNY0.005 being rounded upwards).
- (d) **Publication:** The Reference Agent will cause each Interest Amount determined by it, together with the relevant Note Payment Date, to be notified by electronic transmission to the Issuer, the Agents and the Trustee as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 16.
- (e) **Determinations to be final:** All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 5 by the Reference Agent will (in the absence of manifest error) be binding on the Issuer, the Agents and the Noteholders.
- (f) **Definitions:** In these Conditions “**business day**” means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in Beijing, New York and Hong Kong and for settlement of Renminbi in Hong Kong.

## 6 Redemption and Purchase

- (a) **Final redemption:** Unless previously redeemed, or purchased and cancelled in full, the Notes will be redeemed, to the extent of funds available in accordance with the priority of payments set forth in the Transaction Administration Agreement, in full at their principal amount, together with accrued interest, on 17 December 2016 (the “**Expected Maturity Date**”).

If insufficient funds are available to redeem the Notes in full at their principal amount, together with accrued interest, on the Expected Maturity Date, the Issuer will redeem, to the extent of funds available in accordance with the priority of payments set forth in the Transaction Administration Agreement, the Notes in full at their principal amount, together with accrued interest, on the day falling 15 business days after the Expected Maturity Date (the “**Legal Maturity Date**”).

The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

- (b) **Redemption for Early Redemption Event:** At any time following the occurrence of an Early Redemption Event, the Issuer shall apply any Early Redemption Proceeds received and to be received by it in accordance with, and in the order of priorities set out in, clause 5 of the Transaction Administration Agreement on the Early Redemption Date at the Early Redemption Amount in accordance with this Condition 6.
- (c) **Notice of redemption:** The Issuer shall, no later than four business days prior to the Early Redemption Date, give notice to the Noteholders, the Trustee, the Security Trustee and the Principal Paying Agent (which notice will be irrevocable), of (i) the occurrence of an Early Redemption Event, (ii) the Early Redemption Date and (iii) its intention to redeem the Notes in accordance with Condition 6(b). Upon the expiry of any such notice, the Issuer will be bound to redeem the Notes on the Early Redemption Date at the Early Redemption Amount.
- (d) **Cancellation:** All Notes redeemed in full will be cancelled by the Principal Paying Agent or the Registrar to whom such Notes are presented for redemption or surrender, and may not be resold or reissued.
- (e) **No duty to monitor:** Neither the Trustee, the Security Trustee nor the Agents (other than the Reference Agent) shall be under any duty to determine, calculate or verify the Early Redemption Amount and neither the Trustee, the Security Trustee nor the Agents shall be under any duty to monitor whether any event or circumstance has occurred or exists which enables the Issuer to redeem the Notes under this Condition 6 and will not be responsible to Noteholders or any other person for any loss arising from any failure by it to do so.

(f) **Certain definitions:** For the purposes of these Conditions:

(i) **“Early Redemption Amount”** means an amount calculated by the Reference Agent, being the aggregate of:

- (A) 100 per cent. of the principal amount of the Notes then outstanding (**“Early Redemption Principal Amount”**), together with accrued interest up to, but excluding the Early Redemption Date; and
- (B) if the Additional Early Redemption Premium Condition is met, an additional early redemption premium calculated in accordance with the formula as set out below:

$$\text{Early Redemption Principal Amount} \times \frac{\text{Actual days from and including the Early Redemption Date to but excluding the Expected Maturity Date}}{365} \times 1.5\%$$

The **“Additional Early Redemption Premium Condition”** will be met if the Early Redemption Amount is payable pursuant to the occurrence of an Acceleration Early Redemption resulting from (x) automatic acceleration of the loan pursuant to non-payment under clause 19.1 (Non-payment) of the Loan Agreement; or (y) acceleration of the loan pursuant to any insolvency of the Borrower or its subsidiaries under to clause 19.5 (Insolvency) of the Loan Agreement.

(ii) an **“Early Redemption Date”** means, in relation to any Early Redemption Event:

- (A) (in the case of Mandatory Prepayment Early Redemption) the Note Payment Date falling immediately after such Early Redemption Event, or, if the Borrower fails to make mandatory prepayment in accordance with the terms of the Loan Agreement, the day falling 15 Business Days after such Note Payment Date; or
- (B) (in the case of Acceleration Early Redemption) on the day falling 16 Business Days after the occurrence of such Early Redemption Event, or such later date as may be designated by the Issuer.

- (iii) an “**Early Redemption Event**” means any of:
  - (A) the Facility Agent giving notice to the Borrower of mandatory prepayment under clause 7 (Prepayment and Cancellation) of the Loan Agreement resulting from (i) illegality under the Loan Agreement, or (ii) the insolvency of the issuer of the Demand Guarantee, any default by the issuer of the Demand Guarantee in its other financial obligations, or the illegality or unenforceability of the Demand Guarantee (“**Mandatory Prepayment Early Redemption**”); or
  - (B) following the occurrence of an event of default under the Loan Agreement, the acceleration of the loan pursuant to clause 19.13 (Acceleration) of the Loan Agreement (“**Acceleration Early Redemption**”); and
- (iv) “**Early Redemption Proceeds**” means the aggregate of the amounts received and to be received by the Issuer under the Loan Agreement and the Demand Guarantee following the occurrence of an Early Redemption Event (which for the avoidance of doubt excludes all deductions or withholdings on such amounts on account of tax, set-off or otherwise).

## 7 Payments

### (a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Definitive Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Notes represented by such Definitive Certificates) in the manner provided in paragraph (ii) below.
- (ii) Interest on each Note shall be paid on the due date 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 Note shall be made in Renminbi by transfer to the registered account of the Noteholder.
- (iii) For the purposes of this Condition 7, a Noteholder’s “**registered account**” means the Renminbi account maintained by or on behalf of it with a bank in Hong Kong that processes Renminbi payments, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.
- (iv) If the amount of principal being paid upon surrender of the relevant Definitive Certificate is less than the outstanding principal amount of such Definitive 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 Noteholder) issue a new Definitive Certificate at the Issuer’s expense with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of 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.

*For so long as any of the Notes are represented by the Global Certificate, payments of interest, premium or principal will be made to the persons for whose account a relevant interest in the Global Certificate is credited as being held by the Operator at the relevant time, as notified to the CMU Lodging Agent by the Operator in a relevant CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the Operator. Such payment will discharge the Issuer’s obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.*

- (b) **Payment initiation:** Where payment is to be made by transfer to a registered account, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value on the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Definitive

Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Definitive Certificate is surrendered.

- (c) **Payments subject to fiscal laws:** All payments are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) **Appointment of Agents:** The CMU Lodging Agent, the Principal Paying Agent, the Registrar and the Transfer Agents initially appointed by the Issuer and their respective specified offices are listed below. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the CMU Lodging Agent, 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 with a specified office outside the United Kingdom, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Notes may be listed, in each case, as approved by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Noteholders.

- (e) **Delay in payment:** Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Payment Business Day or if the Noteholder is late in surrendering or cannot surrender its Definitive Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Note 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, unless that day falls in the next calendar month, in which case it shall be brought forward to the immediately preceding Payment Business Day.

In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which banks and foreign exchange markets are open for business in Hong Kong and Beijing and for settlement of Renminbi payments in Hong Kong, the place in which the specified office of the Principal Paying Agent is located and (if surrender of the relevant Definitive Certificate is required) the relevant place of presentation.

## 8 Taxation

- (a) All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law.
- (b) If any such withholding or deduction is required by law, the Issuer shall make such payments in accordance with Condition 7 after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any of the Agents will be obliged to make any additional payments to the holders of the Notes in respect of such withholding or deduction.

## 9 Events of Default

If any of the following events occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject to it being indemnified and/or secured and/or prefunded to its



satisfaction), give notice to the Issuer that the Notes are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** there has been a failure to pay the principal, premium (if applicable) or interest under any of the Notes within two business days after the same is due;
- (b) **Breach of other obligations:** there has been a default by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Notes or the other Transaction Documents;
- (c) **Enforcement proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or, a material part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days of having been so levied, enforced or sued out;
- (d) **Insolvency:** the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of 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 any material part of the debts of the Issuer;
- (e) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, or the Issuer ceases or threatens to cease to carry on all or, substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Trustee or by an Extraordinary Resolution of the Noteholders;
- (f) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes or the Trust Deed; or
- (g) **Analogous events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 9.

## 10 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate payment dates in respect of them.

## 11 Limited Recourse and No Petition

- (a) **Limited Recourse:** Recourse against the Issuer, and the liability of the Issuer, in relation to its obligations under the Notes and the Transaction Documents, shall be limited to the amounts from time to time available in accordance with, and in the order of priorities set out in clause 5 of the Transaction Administration Agreement. Accordingly, no Noteholder (or other Secured Party) shall have any claim or recourse against the Issuer in respect of any amount which is or remains, or will remain, unsatisfied when no further amounts are receivable or recoverable in respect of the Secured Property and all funds comprising the Secured Property and/or representing the proceeds of realisation thereof have been applied in accordance with the provisions of the Transaction Documents, and any unsatisfied amounts shall be waived and extinguished. In addition, where compliance with the obligations imposed on the Issuer any Transaction Document would require the expenditure by the Issuer of its own funds, the obligations of the Issuer shall be limited to the extent that it is put in funds to meet such expenditure.
- (b) **No Petition:** No Noteholder shall have the right to take any action to commence any case, proceedings, proposal or other action under any existing or further law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganisation, arrangement in the name of insolvency proceedings, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to the Issuer or the debts of the Issuer, *provided that*, nothing in this paragraph (b) shall:

- (i) prevent the Trustee from initiating any proceedings for the purpose of enforcing the obligations of the Issuer under the Notes and the Trust Deed or from obtaining a declaratory judgment as to the obligations of the Issuer under the Notes and the Trust Deed owed to any Noteholder (provided that no action is taken to enforce or implement such judgment); or
  - (ii) prevent any Noteholder from lodging a claim in any action as aforesaid which is initiated by any person (other than the Trustee).
- (c) **Corporate obligations:** The Issuer's obligations are corporate obligations of the Issuer and no Noteholder shall have any recourse against any the directors, officers or employees of the Issuer for any claims, losses, damages, liabilities, indemnities or other obligations whatsoever in connection with any transactions contemplated by any Transaction Document.

## 12 Replacement of Definitive Certificates

If any Definitive Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar or any other Agent, subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer and/or such Agent may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Definitive Certificates must be surrendered before replacements will be issued.

## 13 Meetings of Noteholders and Modification

- (a) **Meetings of Noteholders:** The Trust Deed contains provisions for convening meetings of Noteholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in the aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Notes or the dates on which interest is payable in respect of the Notes, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Notes, (iii) to change the currency of payment of the Notes, (iv) modifying the definition of "Noteholders" in the Security Trust Deed, (v) modifying any Security Document in a manner which would affect the nature or the scope of the Secured Property, (vi) modifying the Security Trust Deed to vary the manner in which the proceeds of enforcement of the Security are distributed by the Security Trustee, (vii) modifying clause 6.35 of the Security Trust Deed, (viii) modifying any Security Document in a manner which would have a material adverse effect on the Security, or (ix) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders 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 Noteholders.

- (b) **Modification and waiver:** The Trustee may agree, without the consent of the Noteholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement which is

in the opinion of the Trustee not materially prejudicial to the interests of the Noteholders. Any such modification, authorisation or waiver shall be binding on the Noteholders and, if the Trustee so requires, such modification, authorisation or waiver shall be notified by the Issuer to the Noteholders as soon as practicable.

- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition 13) the Trustee shall have regard to the interests of the Noteholders as a class and shall not have regard to the consequences of such exercise for individual Noteholders and the Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

## **14 Enforcement**

At any time after the Notes become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Notes, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding, and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Noteholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

## **15 Indemnification of the Trustee**

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

The Trustee may rely without liability to Noteholders on any report, confirmation, opinion or certificate or any advice of accountants, lawyers, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Trustee and the Noteholders.

## **16 Notices**

Notices to Noteholders will be valid if (a) made in writing in English and mailed to them by uninsured mail at the Issuer's expense at their addresses in the Register maintained by the Registrar; or (b) published at the Issuer's expense in a leading English language daily newspaper having general circulation in Asia (which is expected to be The Wall Street Journal Asia). 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 Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

*So long as the Global Certificate is held on behalf of the Operator, any notice to the holders of the Notes shall be validly given by the delivery of the relevant notice to the account holder shown in a CMU instrument position report issued by the Operator on the clearing system business day preceding the date of despatch of such notice as holding interests in the Global Certificate. Any such notice shall be deemed to have been given to the Noteholders on the second clearing system business day on which such notice is delivered to the persons shown in the CMU instrument position report.*

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

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 18 **Governing Law**

- (a) **Governing Law:** The Trust Deed, the Agency Agreement and the Notes and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law.
- (b) **Jurisdiction:** The courts of England are to have exclusive jurisdiction to settle any disputes, which may arise out of or in connection with the Trust Deed, the Agency Agreement and the Notes and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement and the Notes (“**Proceedings**”) may be brought in such courts. Pursuant to the Trust Deed, the Issuer irrevocably submits to the jurisdiction of such courts.
- (c) **Agent for Service of Process:** Pursuant to the Trust Deed, the Issuer has irrevocably appointed an agent in England to receive service of process in any Proceedings in England based on any of the Notes.
- (d) **Waiver of Immunity:** The Issuer has, pursuant to the Trust Deed, 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) of any order or judgment made or given in connection with any Proceedings.

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

The Notes will be issued in registered form and represented by the Global Certificate registered in the name of the HKMA, in its capacity as operator of the CMU, and shall be delivered to and held by a sub-custodian nominated by the HKMA as operator of the CMU. The Global Certificate will be held for the account of CMU members who have accounts with the CMU operator, or the CMU participants. For persons seeking to hold a beneficial interest in the Notes through Euroclear or Clearstream, Luxembourg such persons will hold their interests through an account opened and held by Euroclear or Clearstream with the CMU operator. Interests in the Global Certificate will only be shown on, and transfers of interests will be effected through, records maintained by the CMU operator. The Global Certificate will become exchangeable in whole, but not in part (save as otherwise provided), for definitive certificates in the denomination of CNY1,000,000 each and integral multiples of CNY10,000 in excess thereof if any of the following events occurs:

- if the Global Certificate is held on behalf of the CMU or any other clearing system and such 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 to cease business permanently or does in fact do so; or
- upon or following any failure to pay principal in respect of any Notes when it is due and payable in accordance with the terms and conditions of the Notes; or
- with the consent of the Issuer.

Since the CMU operator can act only on behalf of the CMU participants, who in turn may act only on behalf of persons who hold interests through them or indirect participants, the ability of persons having interests in the Global Certificate to pledge such interests to persons or entities that are not CMU participants, or otherwise take action in respect of such interests, may be affected by the lack of definitive notes.

While the Global Certificate representing the Notes is held by or on behalf of the CMU operator, payments of interest or principal will be made to the persons for whose account a relevant interest in the Global Certificate is credited as being held by the CMU operator at the relevant time, as notified to the CMU Lodging Agent by the CMU operator in a relevant CMU instrument position report (as defined in the rules of the CMU) or in any other relevant notification by the CMU operator. So long as the Notes are represented by the Global Certificate and are held by or on behalf of the CMU operator, such payment by the Issuer will discharge the Issuer's obligations in respect of that payment. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

Payments, transfers, exchanges and other matters relating to interests in the Global Certificate may be subject to various policies and procedures adopted by the CMU operator from time to time. None of the Issuer, the Lead Manager, the Transaction Administrator, the Trustee, the Security Trustee, the Agents or any of their agents will have any responsibility or liability for any aspect of the CMU operator's records relating to, or for payments made on account of, interests in the Global Certificate, or for maintaining, supervising or reviewing any records relating to such interests.

For so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of the CMU operator, notices to holders of the Notes may be given by delivery of the relevant notice to the persons shown in a CMU instrument position report issued by the CMU operator on the clearing system business day preceding the date of despatch of such notice as holding interests in the Global Certificate for communication to the CMU participants. Any such notice shall be deemed to have been given to the holders of the Notes on the second clearing system business day on which such notice is delivered to the persons shown in the relevant CMU instrument position report as aforesaid. Indirect participants will have to rely on the CMU participants (through whom they hold the Notes, in the form of interests in the global certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

The CMU operator is under no obligation to maintain or continue to operate the CMU and the CMU operator is under no obligation to perform or continue to perform the procedures described above. Accordingly, the CMU and such procedures may be discontinued or modified at any time. None of the Issuer, the Lead Manager, the Transaction Administrator, the Trustee, the Security Trustee, the Agents or any of their agents will have any responsibility for the

performance by the CMU operator or the CMU participants of their respective obligations under the rules and procedures governing their operations.

## THE LOAN AGREEMENT

Following the assignment of the Initial Lender's rights under the Loan Agreement to the Issuer pursuant to the Receivables Purchase Agreement, the Issuer shall be the sole lender ("**Lender**") under the Loan Agreement. The key provisions of the Loan Agreement are set out below.

<b>Parties</b>	Hebei Iron & Steel (Hong Kong) International Trade Co., Limited (the " <b>Borrower</b> ").  Standard Chartered Bank (Hong Kong) Limited (the " <b>Initial Lender</b> ").  Deutsche Bank AG, Hong Kong Branch (the " <b>Facility Agent</b> ").
<b>Facility Type</b>	Term loan facility (the " <b>Facility</b> ").
<b>Facility Amount</b>	U.S.\$150,000,000 (the " <b>Facility Amount</b> ").
<b>Final Maturity Date</b>	The date falling three (3) years from the date of drawdown.
<b>Purpose</b>	The Borrower shall ensure that all amounts borrowed by it under the Facility are applied towards general corporate purposes.
<b>Interest Period</b>	Subject to the provisions of the Loan Agreement, each Interest Period (" <b>Interest Period</b> ") shall be the period commencing from (and including) the last day of immediately preceding Interest Period (the " <b>Start Date</b> "), and ending on (but excluding) the date falling 3 calendar months from the month in which the Start Date falls, provided that the first Interest Period shall commence on (and include) the Utilisation Date.  An Interest Period for the Loan shall not extend beyond the Final Maturity Date.
<b>Interest Rate</b>	The rate of interest on the Loan at any time during an Interest Period relating thereto is the percentage rate per annum which is the Interest Rate for such Interest Period.  " <b>Interest Rate</b> " means the aggregate of:  (a) the Margin; and  (b) the USD-LIBOR-BBA for such Interest Period.  " <b>London Banking Day</b> " means a day (other than a Saturday or Sunday) on which commercial banks are open for general business (including dealings in interbank deposits foreign exchange and foreign currency deposits) in London.  " <b>Margin</b> " means 2.2% per annum.  " <b>Reference Bank</b> " means any four major banks in the London interbank market.  " <b>Reset Date</b> " in relation to each Interest Period, the first day of such Interest Period.  " <b>Calculation Agent</b> " means Standard Chartered Bank, or such other bank as may be notified to the Facility Agent by the Majority Lenders.  " <b>USD-LIBOR-BBA</b> " means the rate as may be determined by the Calculation Agent and notified to the Facility Agent, such rate being based on the rate for deposits in U.S. Dollars for the relevant Interest Period which appears on the Reuters Screen LIBOR01 Page as of 11:00 a.m. London time, on the day that is two (2) London Banking Days preceding that Reset Date, subject to a minimum of zero (0). If such rate does not appear on the Reuters Screen LIBOR01 Page, the rate for that Reset Date will be determined as if the parties had specified "USD-LIBOR-Reference Banks" as the USD-LIBOR-BBA.

**"USD-LIBOR-Reference Banks"** means the rate as may be determined by the Calculation Agent and notified to the Facility Agent, such rate being based on the rate for deposits in U.S. Dollars as offered by the Reference Banks to prime banks in the London interbank market for the relevant Interest Period and the relevant amount, subject to a minimum of zero (0).

**Payment of Interest** On each Interest Payment Date the Borrower shall pay accrued interest on the Loan.

**"Interest Payment Date"** means the day falling one (1) Business Day prior to the last day of each Interest Period.

- Debt Service Reserve Account**
- (a) The Borrower shall procure that the Debt Service Reserve Account Charge is granted in favour of the Facility Agent on or before the Utilisation Date.
  - (b) The Borrower undertakes to ensure that on the first day of each Interest Period, an amount no less than the Debt Service Reserve relating to that Interest Period is on deposit in the Debt Service Reserve Account. If the Borrower receives a notification from the Facility Agent of any shortfall in amounts on deposit in the Debt Service Reserve Account, the Borrower shall ensure that such shortfall is promptly deposited into the Debt Service Reserve Account.
  - (c) The Borrower agrees that the balance on deposit in the Debt Service Reserve Account shall be applied towards any discharging any payment obligations of the Borrower under this Agreement to the extent that such payment obligations are not discharged on the relevant due date.

**"Debt Service Reserve"**, in relation to an Interest Period, is the amount of interest payable under the Facility for such Interest Period.

**"Debt Service Reserve Account"** means the bank account in the name of the Borrower to be established with the Facility Agent on or before the Utilisation Date and maintained in accordance with the Loan Agreement.

**"Debt Service Reserve Account Charge"** means the first fixed charge over the Debt Service Reserve Account to be granted by the Borrower in favour of the Facility Agent on or before the Utilisation Date.

- Conditions of Utilisation**
- of The Lender(s) will only be obliged to comply with their funding obligations in relation to the Loan if:
- (a) the Utilisation Date is to occur on or before 22 December 2013;
  - (b) the Utilisation Request is received by 11.00am (Hong Kong time) on the day falling three (3) Business Days before the proposed Utilisation Date, or such earlier time as the Lender may agree to, and the proposed amount under the Utilisation Request is the entire Facility Amount;
  - (c) on the date of the Utilisation Request (relating to the Loan) and on the proposed Utilisation Date (for the Loan):
    - (i) no Default is continuing or would result from the proposed Loan; and
    - (ii) the representations and/or warranties to be repeated by any or all of the Transaction Obligors under any or all of the Finance Documents upon the date of the Utilisation Request or the Utilisation Date are true in all material respects (whether before or after giving effect to the proposed Loan); and
  - (d) the Facility Agent has received all of the documents and other evidence listed below in form and substance satisfactory to the Facility Agent on or before the Utilisation Date:



- (i) a copy of the constitutional documents of the Borrower;
- (ii) a copy of a resolution of the board of directors of the Borrower;
- (iii) a specimen of the signature of each person authorised by any resolution referred to in (ii) above;
- (iv) a certificate from the Borrower (signed by an authorised signatory thereof) confirming that borrowing the Facility Amount would not cause any borrowing or other limit binding on it to be exceeded;
- (v) a certificate of an authorised signatory of the Borrower certifying that each copy document provided is correct, complete and in full force and effect as at a date no earlier than the date of the Loan Agreement;
- (vi) each duly executed Finance Document;
- (vii) a copy of any other authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary or desirable (acting on the instructions of the Majority Lenders) (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document;
- (viii) evidence that the fees, costs and expenses then due from the Borrower have been paid or will be paid by the Utilisation Date;
- (ix) confirmation that the Lender has completed and is satisfied with the results of its "know your customer" and similar procedures with respect to the Borrower;
- (x) evidence that the process agent has accepted its appointment;
- (xi) a consent letter, in the form and substance satisfactory to the Lender, from the Demand Guarantor consenting to the transfer of the Demand Guarantee to the Issuer (acting through its agents);
- (xii) a letter of representation from the Demand Guarantor, in the form and substance satisfactory to the Lender, in relation to the capacity and authority of the Demand Guarantor to issue the Demand Guarantee and the legality and validity of the Demand Guarantee;
- (xiii) a consent letter, in the form and substance satisfactory to the Lender, from the applicant under the Demand Guarantee consenting to the transfer of the Demand Guarantee to the Issuer (acting through its agents);
- (xiv) a copy of the audited consolidated financial statements of the Group for the financial year ended 31 December 2012 and the audited financial statements of the Borrower for the financial year ended 31 December 2012;
- (xv) evidence that the Debt Service Reserve is or will be on deposit in the Debt Service Reserve Account on or before the Utilisation Date; and
- (xvi) Hong Kong, English and PRC law legal opinions.

**“Finance Document”** means the Loan Agreement, the Demand Guarantee to be issued by Sinosure, the Debt Reserve Account Charge, each fee letter, the utilisation request, the Keepwell Letter and each other document(s) designated as such by the Facility Agent.

“**Transaction Obligor**” means the Borrower.

“**Utilisation**” means the utilisation of the Facility.

“**Utilisation Date**” means the date of the Utilisation, being the date on which the Loan (the subject of the Utilisation) is made or to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 3 (Form of Utilisation Request) of the Loan Agreement.

**Repayment**

- (a) The Borrower shall repay the Loan in full on the day falling one (1) Business Day prior to the Final Maturity Date.
- (b) Notwithstanding paragraph (a) above, the Borrower agrees that for the purposes of calculating interest payable for the Interest Period ending on the Final Maturity Date (the "**Relevant Interest Period**"), the total outstanding amount of the Loan (before such repayment under paragraph (a)) shall be deemed to have been outstanding for the entire Relevant Interest Period.

**Voluntary Cancellation or Prepayment**

Not allowed

**Solvency Certificate**

The Borrower shall deliver to the Lenders acting through the Facility Agent a solvency certificate confirming that no Event of Default (as defined below) has occurred on each day a payment is made by it under the Loan Agreement.

**Mandatory Prepayment due to illegality**

If, at any time, it is or will become unlawful in any applicable jurisdiction for a Lender (or an Affiliate of a Lender for a Lender) to perform any of its obligations as contemplated by the Loan Agreement or to fund or maintain its participation in the Loan or any part thereof:

- (a) that Lender shall promptly notify the Facility Agent upon becoming aware of that event and the Facility Agent shall promptly notify the Borrower upon the receipt of such notification from that Lender;
- (b) upon the Facility Agent notifying the Borrower, the commitment of that Lender will be immediately cancelled and reduced to zero; and
- (c) the Borrower shall repay that Lender's participation in the Loan, together with any applicable Break Costs and Swap Breakage Costs, on the immediately following Interest Payment Date for the Loan occurring after the Facility Agent has notified the Borrower or, if earlier, the date specified by that Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

If, at any time, it is or will become unlawful for a Transaction Obligor to perform any of its obligations under any Finance Document (other than pursuant to an act or omission of a Transaction Obligor which constitutes an Event of Default):

- (i) the Borrower or any Finance Party shall promptly notify the Facility Agent upon becoming aware of that event and the Facility Agent shall promptly notify the Borrower upon the receipt of such notification;
- (ii) the Facility Agent shall, at the instructions on the Majority Lenders, give notice to the Borrower that the outstanding loan, together with accrued interest, and all other amounts accrued under the Finance Documents, are due and payable on the immediately following Interest Payment Date whereupon:

- (A) the Facilities will be cancelled; and
  - (B) the Borrower shall repay the outstanding loan together with accrued interest, and pay all other amounts accrued under the Finance Documents on such immediately following Interest Payment Date; and
- (iii) any prepayment under this clause shall be made together with any Break Costs and Swap Breakage Costs.

“**Break Costs**” means the amount (if any) by which the interest which a Finance Party should have received pursuant to the terms of the Loan Agreement for the period from the date of receipt or recovery of all or any part of the principal amount of a loan or an unpaid sum under the Facility to the last day of the current Interest Period in respect of that loan or that unpaid sum, had the principal amount of that loan or had that unpaid sum so received or recovered been paid on the last day of that Interest Period.

**Mandatory  
Prepayment due to  
Demand Guarantor  
Trigger Event**

Upon the occurrence of a Demand Guarantor Trigger Event:

- (a) the Borrower or any Finance Party shall promptly notify the Facility Agent upon becoming aware of that event and the Facility Agent shall promptly notify the Borrower upon the receipt of such notification;
- (b) the Facility Agent shall, at the instructions on the Majority Lenders, give notice to the Borrower that the outstanding loan, together with accrued interest, and all other amounts accrued under the Finance Documents, are due and payable on the immediately following Interest Payment Date whereupon:
  - (i) the Facilities will be cancelled; and
  - (ii) the Borrower shall repay the outstanding loan, together with accrued interest, and pay all other amounts accrued under the Finance Documents on such immediately following Interest Payment Date; and
- (c) any prepayment hereunder shall be made together with any Break Costs and Swap Breakage Costs.

For the purposes of this clause, a “**Demand Guarantor Trigger Event**” shall mean the occurrence of any of the following:

- (i) (A) any Financial Indebtedness of the Demand Guarantor is not paid when due nor within any originally applicable grace period, or (B) any Financial Indebtedness of the Demand Guarantor is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described), or (C) any commitment for any Financial Indebtedness of the Demand Guarantor is cancelled or suspended by a creditor of the Demand Guarantor as a result of an event of default (however described), or (D) any creditor of the Demand Guarantor becomes entitled to declare any Financial Indebtedness of the Demand Guarantor due and payable prior to its specified maturity as a result of an event of default (however described).

For the purposes of this paragraph (i):

- (1) the Financial Indebtedness of the Demand Guarantor shall be construed to include any Financial Indebtedness of the head office of the Demand Guarantor;
- (2) no Demand Guarantor Trigger Event shall occur if the aggregate amount of Financial Indebtedness and/or commitment for

Financial Indebtedness falling within sections (i)(A) to (i)(D) above is less than U.S.\$30,000,000 (or its equivalent in any other currency or currencies); and

- (3) for the avoidance of doubt, this paragraph (i) shall not apply to any Financial Indebtedness of the Demand Guarantor arising as a result of (x) a demand being made under any demand guarantee or similar documentary credit issued by it in its ordinary course of business, if the Demand Guarantor complies with such demand within the time period prescribed for payment under the relevant demand guarantee or similar documentary credit, or (y) a demand being made under any insurance policy issued by the Demand Guarantor in its ordinary course of business, which is paid within the time period prescribed for payment under the relevant insurance policy or which is subject to dispute or other legal proceedings;
- (ii) (A) the Demand Guarantor is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness, or (B) a moratorium is declared in respect of any indebtedness of the Demand Guarantor; or
- (iii) (A) it is or becomes unlawful for the Demand Guarantor to perform any of its obligations under the Demand Guarantee, or (B) any obligation of the Demand Guarantor under the Demand Guarantee, is not or ceases to be legal, valid, binding or enforceable.

**Default Interest**

If the Borrower fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on such overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is two (2) per cent. per annum higher than the rate which would have been payable if such overdue amount had, during the period of non-payment, constituted the Loan in the currency of such overdue for successive Interest Periods, each of a duration selected by the Facility Agent (acting on the instructions of the Majority Lenders). Any interest accruing on any overdue amount owing by the Borrower shall be immediately payable by the Borrower.

**Representations and Warranties**

The Borrower shall give usual and customary representations and warranties for transactions of this type, including, without limitation:

(a) **Status**

- (i) It is a limited company duly established and validly existing under the laws of Hong Kong.
- (ii) Each of it and its subsidiaries has the power to own its assets and carry on its business as it is being conducted.

(b) **Binding obligations**

The obligations expressed to be assumed by it in each Finance Document are legal, valid, binding and enforceable obligations and the Debt Service Reserve Account Charge creates the security it purports to create and such security interest is valid and effective.

(c) **Non-conflict with other obligations**

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents to which it is a party do not and will not conflict with:

- (i) any law or regulation applicable to it;
  - (ii) the constitutional documents of it or any of its subsidiaries; or
  - (iii) any agreement or instrument binding upon it or any of its subsidiaries or any asset of it or any of its subsidiaries.
- (d) **Power and authority**
- (i) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.
  - (ii) No limit on its powers will be exceeded as a result of the borrowing or giving of guarantees or indemnities contemplated by the Finance Documents to which it is a party.
- (e) **Validity and admissibility in evidence**
- All Authorisations required or desirable:
- (i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
  - (ii) to make the Finance Documents to which it is a party admissible in evidence in its jurisdiction of organisation; and/or
  - (iii) for it and its subsidiaries to carry on their respective business, and which are material,
- have been obtained or effected and are in full force and effect.
- (f) **Governing law and enforcement**
- The choice of law of each Finance Document to which it is a party will be recognised and enforced in its jurisdiction of organisation.
- (g) **No filing or stamp taxes**
- Under the law of its jurisdiction of organisation it is not necessary that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to any or all of the Finance Documents or the transactions contemplated by the Finance Documents.
- (h) **No default**
- (i) No Event of Default is continuing or might reasonably be expected to result from the making of the Utilisation.
  - (ii) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on it or any of its subsidiaries or to which any asset of it or any of its subsidiaries is subject which might have a Material Adverse Effect.
- (i) **No misleading information**
- (i) Any factual information contained in or provided by or on behalf of any

member of the Borrower and its subsidiaries (the “Group”) was true, complete and accurate in all material respects as at the date it was given and is not misleading in any respect.

- (ii) Any financial projections supplied by or on behalf of any Transaction Obligor, any member of the Group or any Affiliate of any of the foregoing have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (iii) All other information supplied by or on behalf of any Transaction Obligor, any member of the Group or any Affiliate of any of the foregoing is true, complete and accurate in all material respects as at the date it was given and is not misleading in any respect.

(j) **Financial statements**

- (i) The Borrower's financial statements and the Group's financial statements most recently supplied to the Facility Agent were prepared in accordance with GAAP consistently applied save to the extent expressly disclosed in such financial statements.
- (ii) The Borrower's financial statements and the Group's financial statements most recently supplied to the Facility Agent give a true and fair view of and represent the Borrower's financial condition and operations or (as the case may be) the Group's consolidated financial condition and operations at the end of and during the applicable period to which such financial statements relate, save to the extent expressly disclosed in such financial statements.
- (iii) There has been no material adverse change in the Borrower's business or financial condition or the business or consolidated financial condition of the Group since the date of the financial statements most recently supplied to the Facility Agent.

(k) **Pari passu ranking**

Its payment obligations under the Finance Documents rank at least pari passu with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

(l) **No proceedings pending or threatened**

No litigation, arbitration, investigation or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened, or are pending, against it or any of its subsidiaries.

(m) **Authorised Signatures**

Any person specified as its authorised signatory is authorised to sign the Utilisation Request and other notices on its behalf.

(n) **Sanctions**

None of the Transaction Obligors, or any of their respective subsidiaries, or any joint venture in which any of them or any of their respective subsidiaries participates, or any of the respective directors, officers or employees of any or all of the foregoing, and, to the knowledge of the Borrower, none of the persons acting on behalf of any or all of the foregoing:

- (i) is a Restricted Party; or

- (ii) has received notice of or is aware of any claim, action, suit, proceeding or investigation against it with respect to Sanctions by any Sanctions Authority.

**Information  
Undertakings**

Borrower to provide to the Lenders acting through the Facility Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 150 days after the end of each of its financial years:
  - (i) the audited unconsolidated financial statements of the Borrower for that financial year; and
  - (ii) the audited consolidated financial statements of the Group for that financial year; and
- (b) as soon as the same become available, but in any event within 90 days after the first half of each of its financial years:
  - (i) the unaudited unconsolidated financial statements of the Borrower for that financial half year; and
  - (ii) the unaudited consolidated financial statements of the Group for that financial half year.

**Undertakings**

The Borrower shall give usual and customary undertakings for transactions of this type, including, without limitation:

(a) **Authorisations**

The Borrower shall promptly:

- (i) obtain, comply with and do all that is necessary to maintain in full force and effect; and
- (ii) supply certified copies to the Facility Agent of,

any Authorisation required to enable it to perform its obligations under the Finance Documents and/or to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of organisation of any Finance Document.

(b) **Compliance with laws**

The Borrower shall comply in all respects with all laws to which it may be subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents, including, without limitation, any registration requirements in connection with the Debt Service Reserve Account Charge.

(c) **Pari passu ranking**

The Borrower shall ensure that its payment obligations under the Finance Documents rank and continue to rank at least pari passu with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

(d) **Disposals**

The Borrower shall not, and the Borrower shall procure that no member of the Group will, enter into a single transaction or a series of transactions (whether related

or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset, provided that this paragraph does not apply to any sale, lease, transfer or disposal:

- (i) made in the ordinary course of trading of the disposing entity;
- (ii) of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose; or
- (iii) where such sale, lease, transfer or other disposal does not have and could not reasonably be expected to have a Material Adverse Effect.

(e) **Merger**

The Borrower shall not, and the Borrower shall procure that no member of the Group will, enter into any amalgamation, demerger, merger or corporate reconstruction, other than any amalgamation, demerger, merger or corporate reconstruction which would not, and could not reasonably be expected to, have a Material Adverse Effect and does not result in breach of any Authorisation or of any other provision of the Loan Agreement.

(f) **Change of business**

The Borrower shall procure that no material change which could, or could reasonably be expected to have a Material Adverse Effect, is made to the general nature or scope of the business of the Borrower, or of the Group taken as a whole, from that carried on at the date of the Loan Agreement.

(g) **Anti-corruption law**

- (i) The Borrower shall not (and the Borrower shall ensure that no other member of the Group will) directly or indirectly use any of the proceeds of any of the Facility for any purpose which would breach the Bribery Act 2010, the United States Foreign Corrupt Practices Act of 1977 or other similar legislation in any other jurisdiction.
- (ii) The Borrower shall (and the Borrower shall ensure that each other member of the Group will):
  - (1) conduct its businesses in compliance with applicable anti-corruption laws; and
  - (2) maintain policies and procedures designed to promote and achieve compliance with such laws.

(h) **Sanctions**

The Borrower shall not (or shall not permit or authorise any other person to), and the Borrower shall ensure that none of the Transaction Obligors or members of the Group shall (or shall permit or authorise any other person to), directly or indirectly, use, lend, make payments of, contribute or otherwise make available, all or any part of the proceeds of the Loan or other transaction(s) contemplated by any Finance Document to fund any trade, business or other activities (a) involving or for the benefit of any Restricted Party, or (b) in any other manner that would reasonably be expected to result in any Transaction Obligor, any member of the Group or any Finance Party being in breach of any Sanctions (if and to the extent applicable to any of them) or becoming a Restricted Party.

(i) **Taxation**



The Borrower shall (and the Borrower shall ensure that each member of the Group will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties.

(j) **Acquisitions**

The Borrower shall not, and the Borrower shall procure that no member of the Group will, acquire any company or corporation, any Equity Interest in any person, or any business, assets or undertaking (or any interest therein) or make any investment other than an acquisition or investment which would not, and could not reasonably be expected to, have a Material Adverse Effect and does not result in breach of any Authorisation or of any other provision of the Loan Agreement.

(k) **Preservation of existence, assets and licences**

The Borrower shall, and the Borrower shall procure that each of its subsidiaries will:

- (i) maintain and preserve its corporate existence and not change its jurisdiction of organisation or incorporation;
- (ii) maintain and preserve in good working order (ordinary wear and tear excepted) all of the assets necessary in the conduct of its business from time to time; and
- (iii) ensure that it has the power and necessary Authorisations to own its assets and carry on its business (as from time to time conducted).

(l) **Dividends**

The Borrower shall not make any payments of all dividends or distribution if such payment would result in a Material Adverse Effect or otherwise materially adversely affect the debt serving profile of the Borrower.

(m) **Legal and beneficial ownership**

The Borrower shall ensure that Hebei Iron & Steel Group Co., Limited (河北钢铁集团有限公司) shall legally and beneficially, own 100% of the equity interests in it at all times.

**Events of Default**

The usual and customary Events of Default for transactions of this type, including, without limitation:

(a) **Non-payment**

A Transaction Obligor does not pay and the Facility Agent is not, by 4:00 pm Hong Kong time on the due date, in receipt of:

- (i) any interest and/or principal (including any prepayments thereof) under the Loan on an Interest Payment Date (or, in the case of a prepayment or an acceleration of the loan, the day such payment is due);
- (ii) any amount stated to be payable into the Debt Service Reserve Account pursuant to the Loan Agreement; or
- (iii) any other amount pursuant to a Finance Document,

at the place at and in the currency in which it is expressed to be payable, provided that no Event of Default under paragraph (a)(ii) above will occur if the Borrower remedies such failure to pay within five (5) Business Days of relevant due date.

(b) **Other obligations**

- (i) A Transaction Obligor does not comply with any provision of the Finance Documents (other than those referred to in paragraph (a) (Non-payment)).
- (ii) No Event of Default under paragraph (a) above will occur in respect of such failure to comply if such failure to comply is capable of remedy and is remedied within three (3) Business Days of the earlier of (A) the Facility Agent giving notice to the Borrower or such Transaction Obligor or (B) the Borrower or such Transaction Obligor becoming aware of such failure to comply.

(c) **Misrepresentation**

Any representation or statement made or deemed to be made by any Transaction Obligor in any or all of the Finance Documents or any other document delivered by or on behalf of any Transaction Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made.

(d) **Cross default**

Any:

- (i) financial indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period;
- (ii) financial indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (iii) commitment for any financial indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described); or
- (iv) creditor of any member of the Group becomes entitled to declare any financial indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described),

provided that no Event of Default will occur under this paragraph if the aggregate amount of financial indebtedness and/or commitment for financial indebtedness falling within paragraphs (i) to (iv) above (for any of any and all members of the Group) is less than U.S.\$25,000,000 (or its equivalent in any other currency or currencies).

(e) **Insolvency**

- (i) A member of the Group is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness;
- (ii) the value of the assets of any member of the Group is less than its liabilities (taking into account contingent and prospective liabilities); or
- (iii) a moratorium is declared in respect of any indebtedness of any member of the Group.

(f) **Insolvency proceedings**

Any corporate action, legal proceedings or other procedure or step is taken in relation to:

- (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any member of the Group other than a solvent liquidation or reorganisation of any member of the Group which is not a Transaction Obligor;
- (ii) a composition or arrangement with any creditor of any member of the Group, or an assignment for the benefit of creditors generally of any member of the Group or a class of such creditors;
- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not a Transaction Obligor), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of any member of the Group or any of its assets; or
- (iv) enforcement of any Security over any assets of any member of the Group, or any analogous procedure or step is taken in any jurisdiction.

(g) **Creditors' process**

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any member of the Group.

(h) **Unlawfulness or invalidity**

- (i) It is or becomes unlawful for a Transaction Obligor to perform any of its obligations under the Finance Documents; or
- (iii) any obligation of any Transaction Obligor under any Finance Document, is not or ceases to be legal, valid, binding or enforceable,

in each case, provided that any such unlawfulness or invalidity is caused by an act or omission of a Transaction Obligor.

(i) **Material litigation**

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened in relation to any of the Finance Documents or the transactions contemplated in the Finance Documents or against any Transaction Obligor or any member of the Group or the assets of any of the foregoing which have or could reasonably be expected to have a Material Adverse Effect.

(j) **Repudiation**

A Transaction Obligor repudiates a Finance Document or evidences an intention to repudiate any Finance Document.

(k) **Cessation of business**

The Borrower or the Group (taken as a whole) suspends or ceases to carry on all or a material part of the business of the Borrower or the Group (taken as a whole).

(l) **Material adverse change**

Any event or circumstance occurs which the Majority Lenders reasonably believe might (individually or together with other events or circumstances) have a Material Adverse Effect.

"**Material Adverse Effect**" means a material adverse effect on:

- (i) the business, operations, assets, conditions (financial or otherwise) or prospects of:
  - (A) the Borrower; or
  - (B) the Group taken as a whole; or
- (ii) the ability of any Transaction Obligor to perform its obligations under any or all of the Finance Documents; or
- (iii) the legality, validity or enforceability of any or all of the Finance Documents or any or all of the rights or remedies of any Finance Party under any or all of the Finance Documents.

**Acceleration**

On and at any time after the occurrence of an Event of Default which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

- (a) without prejudice to the participations of any or all of the Lenders in the Loan the outstanding:
  - (i) cancel the Commitments of the Lenders and reduce them to zero whereupon they shall immediately be cancelled and reduced to zero; or
  - (ii) cancel any part of the Commitments of the Lenders and reduce them accordingly, whereupon the applicable part of the Commitments of the Lenders shall be cancelled (and the Commitments of the Lenders shall be reduced accordingly), provided that such reduction of the Commitments of the Lenders shall be applied towards the Commitments of the Lenders rateably;
  - (iii) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable; and/or
  - (iv) declare that all or part of the Loan be payable on demand, whereupon they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders,

provided that any Event of Default pursuant to a non-payment by the Borrower will result in an automatic acceleration and the Facility Agent may, without notice to the Borrower, conduct all actions and have all rights described in paragraphs (i) to (iv) above.

"**Majority Lenders**" means a Lender or Lenders whose participations in the Loan(s) then outstanding aggregate more than 66 2/3% of the aggregate Loan then outstanding. *Following the assignment of the Initial Lender's rights under the Loan Agreement to the Issuer pursuant to the Receivables Purchase Agreement, the Issuer, being the sole Lender under the Loan Agreement, shall also be the Majority Lender under the Loan Agreement.*

**Notification of Default**

- of (a) The Borrower shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

(b) Promptly upon a request by the Facility Agent, the Borrower shall supply to the Facility Agent a certificate signed by two of its directors on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying such Default and the steps, if any, being taken to remedy it).

**Additional Funding Costs**

(a) The Borrower acknowledges that any Lender (a “**Relevant Lender**”) under the Loan Agreement may fund its obligations under the Loan Agreement with respect to the entire term of the Facility (the “**Relevant Funding**”):

(b) Accordingly, on the occurrence of an Additional Funding Cost Trigger Event, a Relevant Lender may incur additional certain additional funding costs (“**Additional Funding Costs**”) with respect to its funding obligations under this Agreement calculated on the basis of 1.5% per annum on the principal outstanding under the Loan for the remaining period up to and including the maturity date applicable to the Relevant Funding.

“**Additional Funding Cost Trigger Event**” shall mean any of:

(i) the automatic acceleration of the Borrower’s payment obligations under the Facility pursuant to Clause 19.13 (*Acceleration*) as a result of the any non-payment under Clause 19.1 (*Non-payment*); or

(ii) the acceleration of the Borrower’s payment obligations under this Facility pursuant to Clause 19.13 (*Acceleration*) as a result of the occurrence of any Events of Default under Clause 19.5 (*Insolvency*).

(c) The Borrower agrees the calculation of Additional Funding Costs in paragraph (b) above is a genuine pre-estimate of the losses expected to be incurred by the Relevant Lender in accordance with its funding obligations and is arrived at after commercial and arm’s length negotiations.

**Swap Breakage Costs**

“**Swap Agreement**” means each cross currency and/or interest rate swap as may be entered into from time to time between a Lender and a swap provider for the purposes of hedging the Lender’s liabilities and/or risks in connection with the Facility.

“**Swap Breakage Costs**” means any costs associated with the termination of a Swap Agreement prior to the Final Maturity Date.

**Assignments**

An existing Lender may:

(a) assign any of its rights under the Loan Agreement; or

(b) transfer by novation any of its rights and/or obligations under the Loan Agreement,

to any party without the prior consent of any Transaction Obligor.

**Taxation**

All payments to be made by the Borrower under any or all of the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim and free and clear of, and without deduction for or on account of any present or future taxes, levies, duties, imposts, charges, withholding and all liabilities with respect thereto.

If such taxes are required by law to be deducted or withheld from any sum so payable, then the Borrower shall increase the amounts so paid so that the recipient receives the full amount due to it.

**Indemnities from the Borrower**

The Borrower shall, within the Relevant Time of the despatch of a demand by a Finance Party, indemnify such Finance Party against any cost, loss or liability (including any Additional Funding Costs and Swap Breakage Costs) incurred by that Finance Party as a

result of:

- (a) the occurrence of any Event of Default;
- (b) any other information produced or approved by any Transaction Obligor, any member of the Group or any Affiliate thereof being or being alleged to be misleading and/or deceptive in any respect;
- (c) any enquiry, investigation, subpoena (or similar order) or legal or arbitral proceedings with respect to any Transaction Obligor, any member of the Group or any Affiliate thereof or with respect to any transactions contemplated or financed under any Finance Document;
- (d) a failure by any Transaction Obligor to pay any amount due under a Finance Document on its due date and in the currency in which such amount is due, including without limitation, any cost, loss or liability arising as a result of the provisions relation to sharing among the Finance Parties;
- (e) funding, or making arrangements to fund, its participation in the Loan requested by the Borrower in the Utilisation Request but not made by reason of the operation of any one or more of the provisions of the Loan Agreement (other than by reason of default or negligence by that Finance Party alone);
- (f) the termination of any agreement or transaction entered into for the purposes of hedging the types of liabilities and/or risks in relation to the Facility (including, without limitation, any Swap Breakage Costs) due to any Default or Mandatory Prepayment; or
- (g) the Loan (or part of the Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

**“Relevant Time”** means (a) where no Default has occurred and is continuing, three (3) Business Days; and (b) where any Default has occurred and is continuing, 24 hours.

**“Default”** means an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

**Governing Law and Courts**

The Loan Agreement and all non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with the laws of England.

The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with the Loan Agreement.

## THE DEMAND GUARANTEE

The key terms of the Demand Guarantee are summarised below.

<b>Applicable Rules</b>	Uniform Rules for Demand Guarantees (URDG) 2010 Revision, ICC Publication No. 758 (“ <b>URDG 758</b> ”).
<b>Issuing Entity</b>	China Export & Credit Insurance Corporation, Hebei Branch.
<b>Date of Issue</b>	13 December 2013
<b>Effective Date and Expiry Date</b>	<p>The Demand Guarantee shall come into effect on the drawdown date under the Loan Agreement, and shall expire on the day falling 5 Business Days after the Final Maturity Date of the Loan Agreement.</p> <p>After such expiry date, the Demand Guarantee shall automatically become null and void and deemed to be cancelled.</p>
<b>Applicant</b>	Hebei Iron & Steel Group Co., Limited
<b>Beneficiary</b>	<p>Standard Chartered Bank (Hong Kong) Limited (as the Initial Lender under the Loan Agreement).</p> <p>On or before the Closing Date, the Demand Guarantor’s upfront consent will be obtained in relation to the change of Beneficiary under the Demand Guarantee from the Initial Lender to the Issuer following the sale and purchase of the Receivables under the Receivables Purchase Agreement.</p> <p>All claims under the Demand Guarantee shall only be made through the Facility Agent (including its successors and assigns), in its capacity as facility agent under the Loan Agreement.</p>
<b>Scope of Demand Guarantee</b>	Any and all amounts due and payable by the Borrower under the Loan Agreement (the “ <b>Guaranteed Amount</b> ”).
<b>Gross up</b>	All payments by the Demand Guarantor under the Demand Guarantee shall be made without any deduction on account of tax, set-off or otherwise. In the event that any deduction or withholding is required, the Demand Guarantor shall pay such additional amounts as will result in receipt by the beneficiary of such amounts as would have been received by it had no such deduction or withholding been required.
<b>Payment Timeline</b>	Upon receipt by the Demand Guarantor of a complying demand by the Beneficiary (supported by a statement indicating that the Borrower has failed to make payment in accordance with the Loan Agreement), the Demand Guarantor shall make the requested payment within 10 Beijing business days.
<b>Restrictions on Transferability</b>	The Demand Guarantee can only be transferred or assigned in full for one time to Panda Funding Investment 2013 with the prior written consent of the Demand Guarantor.
<b>Governing Law and Courts</b>	The Demand Guarantee shall be governed by and construed in accordance with PRC laws. Any dispute or claim arising out of or in relation to the Demand Guarantee shall be submitted to the exclusive jurisdiction of the competent courts of Beijing, China.

## THE KEEPWELL LETTER

*Below is a summary of the Keepwell Letter provided by HBISG in connection with the Loan Agreement. The letter does not, however, represent a guarantee or a legally binding obligation of HBISG in relation to the Loan Agreement or the Notes and is not enforceable by the Lender(s) or the Noteholders. There is no assurance that HBISG will provide the level of support as contemplated in the Keepwell Letter. See “Risk Factors – Risks Relating to the Keepwell Letter” for more information.*

Hebei Iron & Steel Group Co., Limited (“**HBISG**”) has issued the Keepwell Letter dated 12 December 2013 in favour of each Lender (including the Issuer as a new Lender) and Facility Agent in respect of the Loan Agreement. Under the Keepwell Letter, HBISG has agreed, *inter alia*, to:

- (a) maintain its direct or indirect shareholding in the Borrower at 100% at all times during the term of the Loan Agreement; and
- (b) procure that the Borrower will receive adequate financial funding in such a way that the Borrower is capable of fulfilling all its payment obligations under the Loan Agreement.



## DESCRIPTION OF THE BORROWER

*The information set out below relating to the Borrower has been provided by the Borrower pursuant to the Loan Agreement. Neither the Issuer nor the Lead Manager has separately verified such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Issuer, the Lead Manager or any of their respective affiliates, as to the accuracy or completeness of the information relating to the Borrower set out below.*

*Investors should be aware that there is no financial support (including but not limited to guarantees) from the Parent Group in relation to the Issuer's obligations under the Notes nor is HBISG or any of its subsidiaries (other than the Borrower) a party to any Transaction Documents or any relevant agreement with respect to the Notes. The information below relating to the Parent Group and the steel industry in general is provided solely for the purposes of providing the context to the business and operations of the Borrower. Investors should not place undue reliance on the below information related to the Parent Group.*

Hebei Iron & Steel (Hong Kong) International Trade Co., Ltd (“**HBISHK**” or the “**Company**”) was incorporated in Hong Kong on 20 January 2010 and is a wholly-owned subsidiary and offshore trading arm of HBISG (together with its subsidiaries the “**Parent Group**”). Its primary business is to source iron ore from major international suppliers such as BHP Billiton, Rio Tinto and Vale for and on behalf of HBISG, together with independent service providers such as FECAT Limited (see table below). Most of the iron ore purchased is on-sold (back-to-back or pre-sold) to HBISG for further processing (i.e. steel production). Financial support for trading and increasing returns is predominantly provided to the Company by the Parent Group through the issuance of letters of credit in RMB.

Supplier	Sourcing Country	Products	Annual Trading Volume in 2012 ('000mt)	Payment method	Years of relationship
BHP Billiton	Australia	Iron Ore	16,480	Letters of Credit	6
Vale	Brazil	Iron Ore	6,800	Letters of Credit	5
FECAT	South Africa	Iron Ore	1,680	Letters of Credit	5

The trading volume on iron ore remained stable throughout the 2011 and 2012 financial years. It is expected that the trading volume through the Company will remain stable in 2013 financial year compared to 2012 financial year, as set out in the table below:

Sales Volume ('000 mt)	Iron Ore
2011	28,400
2012	27,550
2013 (Expected)	28,200

Given the Company's strategic importance to HBISG, key employees of HBISHK have been appointed by HBISG and report directly to the management of HBISG.

Headquartered in Hebei province of China, HBISG was created in 2008 through the consolidation of the Tangsteel Group and the Hansteel Group, and is wholly owned by State-owned Assets Supervision and Administration Commission of the State Council, Hebei Branch. It was established for the purposes of consolidating Hebei province's fragmented steel industry and improving the overall competitiveness of the province's state-owned steel enterprises, so as to provide a strong driving force and key support towards the economic growth of the province as a whole.

Since its establishment, the Parent Group has focused on four key areas, namely high-end plate metal products, building materials, steel products and vanadium and titanium products. The Parent Group's product offerings now cover more than 20 sectors such as aerospace, military, automobile, petroleum, rail, bridges, buildings, electricity, transportation, machinery, shipbuilding, light industry and household appliances.

HBISG has 16 directly-owned subsidiaries and over 140,000 employees, with an annual production capacity of approximately 50,000,000 tonnes achieving the nation's high industrial standard. In 2012, it produced 42,840,000 tonnes of crude steel, 40,510,000 tonnes of cast iron and 41,880,000 tonnes of steel products, accounting for 6.0%, 7.0% and 4.4% of the total production in the PRC respectively. HBISG's total assets in 2012 amounted to approximately RMB316 billion and it was ranked 269<sup>th</sup> in the Fortune Global 500.

The Parent Group have the following strategic strengths:

- *Significant economies of scale:* HBISG is one of the largest iron and steel enterprises in China. With its world-class production system and equipment, HBISG boasts an annual production capacity of more than 50 million tonnes, all of which are in full conformity with national industrial policies and leading energy-saving and environmental protection standards in the PRC.
- *Extensive array of product offerings:* The Parent Group offers a wide range of products with an annual production capacity of 20 million tonnes for high quality construction materials, 18 million tonnes for hot rolled plates, 8 million tonnes for wide and heavy plates and 6 million tonnes for cold rolled plates. It also has processing capability of flat product coating, including pickling, galvanizing and tin plating. The high-quality products comprise a full range of plate products from ultra-thin 0.16mm cold-rolled plates to extra-wide 700mm slabs. In addition, it manufactures high-strength and seismic-resistant construction materials, namely HRB400E, HRB500, HRB500E and HRB600, together with the X90 and X100 series of high-strength steel pipes. The comprehensiveness and diversification of the Parent Group's product mix enables it to better manage market volatility and business risks as a whole.
- *Unparalleled access to resources:* As one of the largest industrial enterprises in Hebei province, the Parent Group has an outstanding strategic position within the province. Since its inception, it has been actively seeking access to new sources of raw materials around Hebei. At present, it controls access to approximately 5 billion tonnes of iron ore resources.
- *State-of-the-art equipment and machines:* Currently, the Parent Group has 15 blast furnaces (5 with a capacity of 3200m<sup>3</sup>, 5 with a capacity of 2500m<sup>3</sup> and 5 with a capacity of 2000m<sup>3</sup>) and owns 23 120-tonne converter furnaces and 4 100-tonne ultra-high-power (UHP) furnaces. With enhanced automation in the steel-making process, this equipment is capable of modern and large scale production in-line with international standards.
- *Implementation of national industrial and environmental policies:* The strategic objective of the Parent Group is to build an iron and steel enterprise that has a "leading position domestically and first-class internationally". It is determined to implement the PRC's Iron and Steel Industry Development Policy and to accelerate the pace of industrial upgrades and structural adjustments. In 2011, the Parent Group met its goal of phasing out all obsolete and out-dated production equipment. At present, the Parent Group has been actively enhancing its capabilities in recycling, resource management, technical operations and waste management and as a result, product costs have been effectively controlled, all major environmental indicators has reached national leading standards and pollution emissions have been significantly reduced.

## DESCRIPTION OF THE DEMAND GUARANTOR

*To the best of the knowledge and belief of the Demand Guarantor, the information below is in accordance with the facts and does not omit anything likely to affect the import of such information. The Demand Guarantor, having made all reasonable inquiries, confirms that the below information is true and correct in all material respects, not misleading, that there is no omission of a material fact necessary to make such information, in the light of the circumstances under which it is provided. None of the Borrower, the Lead Manager nor the Issuer has separately verified such information. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Borrower, the Lead Manager, the Issuer or any of their respective affiliates, as to the accuracy or completeness of the information relating to the Demand Guarantor set out below.*

### Overview

The Demand Guarantor is the Hebei branch of China Export & Credit Insurance Corporation (“**Sinosure**”). Under PRC law the head office of Sinosure is ultimately responsible for all obligations of the Demand Guarantor.

Sinosure is a state-funded policy-oriented insurance company with independent status of a legal person, established to promote China’s foreign trade and economic cooperation as a result of a merger between the export credit insurance business of the People’s Insurance Company of China (“**PICC**”) and China Export and Import Bank. Accordingly, Sinosure succeeded PICC as a member of the Berne Union, an international organisation for export credit agencies.

Its shareholders, as set out in its 2012 annual report and its current articles of association, are the Ministry of Finance and Central Huijin Investment Ltd (a wholly owned subsidiary of China Investment Corporation). It began operations on 18 December 2001 and operates through approximately 29 offices across 27 cities/provinces in the PRC. It also maintains a representative office in London. As at 31 December 2012, Sinosure had more than 2,309 employees worldwide. The primary purposes of Sinosure are to support in the PRC, among other things, the development of foreign trade, economic growth and the balance of trade through the provision of insurance services and other credit support services for foreign trade and investment.

Sinosure’s directors as set out in its 2012 annual report include, among others:

- Wang Yi (Executive Director and Chairman and Secretary of the Party);
- Liu Yongxin (Executive Director, Vice President and Secretary to the Board and Member of the Party Committee);
- Xu Xiaobo (Deputy Director General of the Department of Fiscal and Financial Affairs, National Development and Reform Commission);
- Zhang Tianqiang (Deputy Director General of the Department of Finance, Ministry of Finance);
- Sun Jiwen (Director General of the Department of Finance, Ministry of Commerce); and
- Zuang Changneng (Director General of the Financial Stability Bureau, People’s Bank of China).

Sinosure is mandated, in accordance with the PRC government’s diplomatic, international trade, industrial, fiscal and financial policies, to promote the export of Chinese goods, technologies and services. In particular, it is to promote to export of high-tech and high value-added capital goods and to promote overseas investment by PRC entities, in each case by means of export credit insurance against non-payment risks. In 2012, to further strengthen its policy function, Sinosure’s top management was put under the direct administration of the central government of the PRC and China Investment Corporation injected RMB20 billion of capital into Sinosure via Central Huijin Investment Ltd.

Sinosure’s main products are as follows:

- *Short-term export credit insurance:* In 2012, Sinosure’s aggregate insured amount of short-term export credit insurance reached approximately U.S.\$272.91 billion, covering exports to 216 countries with the top five markets at 2012 being the United States, Hong Kong, Germany, Japan and the United Kingdom.
- *Medium and long-term export credit insurance:* Sinosure had underwritten 105 projects in 2012 with an aggregate insured total of approximately U.S.\$20.74 billion covering over 10 industrial sections and over 40 countries.

- *Inbound investment insurance*: Sinore provides investment insurance mainly in industrial areas such as energy and mining underwriting 160 projects with an aggregate insured amount of approximately USD23.46 billion. It has offered such services for projects in countries as diverse as Egypt, Indonesia, Ethiopia, Russia, Thailand, Cambodia and Vietnam.
- *Overseas investment (leasing) insurance*: In 2012, Sinore covered 35 projects under its lease insurance business with an aggregate insured amount of approximately U.S.\$1.62 billion with respect to, among other things, aircraft, shipbuilding and telecommunications. Approximately U.S.\$1.18 billion of the aggregate amount covered overseas lease insurance projects.
- *Domestic trade credit insurance*: Sinore provides extensive domestic trade credit insurance with an aggregate insured amount of approximately RMB164.44 billion, across 20 provinces and cities of the PRC and covering over 20 industrial sectors.
- *Bonds and guarantees*: Sinore's bond and guarantee business in 2012 covered an aggregate amount of approximately U.S.\$272 million, covering industrial sector such as electromechanical products, textiles, transportation and construction.
- *Credit rating services ("SinoRating")*: Sinore currently provides services such as credit investigations with respect to domestic and overseas enterprises, credit rating services for domestic and overseas enterprises (including the provision of ratings for banks), research on particular industries and credit risk management consultation.
- *Claims handling and debt collection*: In 2012, Sinore handled 3,013 claims with respect to short-term credit export insurance and made payments, in aggregate, reaching approximately U.S.\$720 million. It subsequently recovered approximately U.S.\$210 million through rights of subrogation and indemnities.
- *Financial services under insurance*: Sinore, having a relationship with approximately 164 banks, assists enterprises to employ credit insurance to acquire financial facilities with lenders.

As at 31 December 2012, the aggregate insured amount of Sinore reached approximately U.S.\$345.83 billion, representing a 36.2 per cent. increase on a yearly basis. The aggregate insured amount of export credit insurance (being short-term export credit insurance and medium and long term export credit insurance) reached approximately U.S.\$293.65 billion, representing a 35.8 per cent. increase on a yearly basis. Its policies covered thousands of exporters and hundreds of medium and long term projects concerning, among other things, high technology export, large electro-machinery and complete-set equipment export and overseas engineering contracts.

On 5 July 2005, the China Banking Regulatory Commission issued a reply to the Risk Assessment and Risk Classification of Loans Insured by Sinore (中国银监会对中国信保承保贷款风险权重和风险分类做出批复). It stated that a zero risk weighting would be applied to any loan portfolio insured by Sinore for the purposes of calculating any capital adequacy ratio. However, the application of zero risk weighting is not, in itself, sufficient to treat any risk exposure to Sinore as being equivalent to the sovereign risk of the PRC or any governmental organ of the PRC, nor that the PRC government or any organ of the PRC government guarantees or in any way secures the financial obligations of Sinore.

### **Annual Report and Audited Financial Statements**

Copies of the 2012 annual report of the Demand Guarantor, containing the audited financial statements of the Demand Guarantor for the financial year ended 31 December 2012, may be inspected during normal business hours at the office of: (i) Standard Chartered Bank (Hong Kong) Limited at 12/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong up to the Closing Date; and (ii) the Principal Paying Agent at 52/F, International Commerce Centre, 1 Austin Road, West Kowloon, Hong Kong, for a period of one (1) year after the Closing Date.

The Demand Guarantor has represented to the Lead Manager that it will, so long as the Notes are not redeemed early, within nine (9) months after the end of each subsequent financial year, make copies of its annual report relating to such financial year available for inspection during normal business hours at the office of the Principal Paying Agent at 52/F, International Commerce Centre, 1 Austin Road, West Kowloon, Hong Kong, for a period of one (1) year (or the Legal Maturity Date, whichever is earlier).

*The Demand Guarantor, having made all reasonable inquiries, confirms that the information contained in the above-mentioned annual report and audited financial statements is true and correct in all material respects, not misleading, that there is no omission of a material fact necessary to such information, in the light of the circumstances under which it is provided, and that the opinions and intentions expressed therein are honestly held.*

*The abovementioned annual report and audited financial statements have been provided by the Demand Guarantor independently, are not incorporated by reference and they do not form part of this Offering Circular. None of the Issuer, the Lead Manager, the Agents, the Trustee, the Security Trustee, the Transaction Administrator, the Account Bank or the Swap Provider has separately verified the information contained in such annual report and audited financial statements. No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted, by the Issuer, the Lead Manager, the Agents, the Trustee, the Security Trustee, the Transaction Administrator, the Account Bank or the Swap Provider or any of their respective affiliates, as to the accuracy or completeness of the information contained in such annual report and audited financial statements.*

## DESCRIPTION OF THE ISSUER

### Formation

Panda Funding Investment 2013 is an exempted company incorporated with limited liability under the Companies Law (as amended) of the Cayman Islands (Company Number: 282553). It was incorporated in the Cayman Islands on 8 November 2013 as a special purpose vehicle. Its registered office is situated at the offices of Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

The Issuer is a special purpose vehicle and has no prior operating experience. The Issuer has no subsidiaries.

### Business Activity

The Issuer was established with unrestricted objects and powers as set out in its memorandum of association. The Issuer does not sell any products or provide any services and it has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment and those incidental to the authorization, execution and issue of the Notes and the documents and matters which are incidental or ancillary to the foregoing. As an exempted company, the Issuer may not trade in the Cayman Islands with any person except in furtherance of the business of the Issuer carried on outside the Cayman Islands. The Issuer will covenant to observe certain restrictions on its activities pursuant to the Trust Deed.

### Financial Statements

Under Cayman Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

### Directors and Officers

The Directors of the Issuer are Mora Goddard and Christopher Bryan.

The Issuer does not have any employees.

Certain affairs of the Issuer (including various corporate, secretarial and administrative services) are managed by Intertrust SPV (Cayman) Limited a company incorporated in the Cayman Islands having its registered office at 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Island as the Issuer Administrator pursuant to the Issuer Management Agreement. The Issuer Administrator will, inter alia, provide the services of two or more directors to the Issuer and be responsible for the day-to-day administration of the Issuer.

### Share Capital

The capital of the Issuer is U.S.\$50,000 divided into 50,000 ordinary shares of a par value of U.S.\$1.00 each. 250 ordinary shares have been issued at par, are fully-paid and are held by Intertrust SPV (Cayman) Limited on trust for charitable purposes under the terms of a declaration of trust.

### Capitalisation and Indebtedness

The capitalisation and indebtedness of the Issuer, as at the date of this Offering Circular, adjusted for the Notes to be issued on the Closing Date, is as follows:

**Capitalisation and Indebtedness Statement of the Issuer**

**As at 16 December 2013**  
(U.S.\$)

**Share Capital**

250 ordinary shares issued and fully paid . . . . .	250
<b>Total Share Capital</b> . . . . .	<u>250</u>
<b>Total Capitalisation</b> . . . . .	<u>250</u>

**Financial Year**

The financial year of the Issuer runs from 1 January to 31 December. There has been no material change in the activities of the Issuer since its incorporation.

The Issuer is not required under Cayman Islands law to prepare annual financial statements or audited accounts.

## DESCRIPTION OF THE SWAP PROVIDER

### Introduction

On or before the Closing Date, the Issuer will enter into the Swap Agreement with the Swap Provider. The principal office and principal place of business in the United Kingdom of the Swap Provider is 1 Basinghall Avenue, London EC2V 5DD, United Kingdom.

The Swap Provider is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority

As of the date of this Offering Circular, the unsecured long-term and short-term unguaranteed and unsubordinated foreign currency debt obligations of the Swap Provider are currently rated “AA-” and “A-1+” respectively, by S&P and “A1” and “P-1” respectively, by the Rating Agency.

Standard Chartered PLC (“SCPLC”), the ultimate holding company of the Swap Provider, was incorporated and registered in England and Wales on 18 November 1969 as a company limited by shares. Its ordinary shares are listed on the Official List of the United Kingdom Listing Authority and traded on the London Stock Exchange. SCPLC’s ordinary shares are also listed on the Hong Kong Stock Exchange and through Indian Depository Receipts on the Bombay Stock Exchange and National Stock Exchange of India.

The Swap Provider was incorporated in England with limited liability by Royal Charter in 1853. The Swap Provider’s issued share capital comprises ordinary shares, all of which are owned by Standard Chartered Holdings Limited, a company incorporated in England and Wales and a wholly-owned subsidiary of SCPLC, non-cumulative irredeemable preference shares of U.S \$0.01 each, all of which are preference shares of U.S.\$5.00 each, all of which are owned by SCPLC.

### Business Activities

SCPLC provides consumer and wholesale banking products and services worldwide. It offers consumer banking products and services, including savings and accounts, loans, mortgages, credit cards, investment advisory, foreign exchange trading, currency deposits, mutual funds, and employee banking, as well as life, savings and retirement planning, health and medical, home, motor, and travel insurance. The company also provides wholesale banking services, such as transaction banking, including cash management, trade finance, and securities services; financial market solutions to meet risk management, financing, and investment needs; corporate finance services, such as corporate advisory and finance, project and export finance, structured trade finance and financing, and structured finance solutions; and principal finance solutions. In addition, it offers preferred, priority and international, private, small and medium-sized enterprises, Islamic, and online banking services. SCPLC operates over 1,700 branches, offices, and outlets in 68 countries, located in Asia, Africa, the Middle East, Europe, and the Americas.



## **TAXATION**

Tax considerations may apply to the purchase, ownership and disposition of the Notes. Persons considering the purchase of the Notes should consult their own tax advisor concerning the application of relevant tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

## SUBSCRIPTION AND SALE

The Subscription Agreement provides, inter alia, that the Lead Manager may, by notice to the Issuer given at any time prior to payment of the subscription moneys for the Notes to the Issuer, terminate the Subscription Agreement under certain circumstances, if any of the conditions specified in the Subscription Agreement has not been satisfied, or has not been waived by the Lead Manager. Such conditions include, but are not limited to the following: (a) the execution and delivery of certain documents; and (b) there having been on the Issue Date (i) the occurrence of any event making any of the Issuer's representations and warranties under the Subscription Agreement untrue and incorrect in any material respect on the Issue Date as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor (ii) the occurrence of any material breach of the Issuer's undertakings under the Subscription Agreement, nor (iii) the occurrence of an Event of Default under the Notes.

### United States

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Accordingly, the Notes may only be sold and offered in offshore transactions in accordance with Regulation S under the Securities Act ("**Regulation S**") and the Notes may not be offered or sold within the United States. The Lead Manager has agreed that it, its affiliates and any persons acting on their behalf will not offer or sell any Notes within the United States or make any directed selling efforts (as defined in Rule 902 of Regulation S) within the United States.

### Hong Kong

The Lead Manager has represented 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 Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; 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 Notes, 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 Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### Singapore

The Lead Manager has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor under Section 274 of the Securities and Futures Act (Cap. 289 of Singapore) ("**SFA**"), (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired such Notes pursuant to an offer made under Section 275 of the SFA, except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of a corporation) where the transfer arises from an offer referred to in Section 276(1)(B) of the SFA or (in the case of a trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) pursuant to Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **Cayman Islands**

No offer or invitation may be made to the public in the Cayman Islands to subscribe for the Notes. The Lead Manager has represented, warranted and under taken that the public in the Cayman Islands will not be invited to subscribe for the Notes.

### **People's Republic of China**

The Lead Manager has represented, warranted and agreed that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

### **Taiwan**

No person or entity in Taiwan is authorised to distribute or otherwise intermediate the offering of the Notes or the provision of information relating to the Notes, including, but not limited to, this Offering Circular. The Notes may be made available for purchase from outside Taiwan by investors residing in Taiwan, but may not be offered or sold in Taiwan. Any subscriptions of Notes shall only become effective upon acceptance by the Issuer or the Lead Manager outside Taiwan and, unless otherwise specified in the subscription documents signed by the investors, shall be deemed a contract entered into in the jurisdiction of incorporation of the Issuer or the Lead Manager, as the case may be.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan, or ( the "**Financial Instruments and Exchange Act**") and, accordingly, the Lead Manager 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 Notes 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

Neither this Offering Circular nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Issue may be used in connection with, and does not constitute an offer or solicitation or invitation by or on behalf of any person to subscribe for or purchase, the Notes in any jurisdiction in which such offer, solicitation or invitation is unlawful or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Offering Circular or any such other document or information and the offer of the Notes in certain jurisdictions may be restricted by law. Persons who distribute or publish this Offering Circular or any such other document or information or into whose possession this Offering Circular or any such other document or information comes are required to inform themselves about and to observe any such restrictions and all applicable laws, orders, rules and regulations.

*Any person who may be in doubt as to the restrictions set out in the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Notes or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.*

The Lead Manager and its affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“**Banking Services**” or “**Transactions**”). The Lead Managers and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Borrower or the Demand Guarantor for which they have received, or will receive, fees and expenses.

In the ordinary course of their various business activities, the Lead Managers and its affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Borrower or the Demand Guarantor, including the Notes. The Lead Manager or its affiliates that have a lending relationship with the Borrower and/or the Demand Guarantor and routinely hedge their credit exposure to the Borrower and/or the Demand Guarantor in a manner consistent with their customary risk management policies. The Lead Managers and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Borrower or the Demand Guarantor or financial instruments of the Borrower or the Demand Guarantor, and may recommend to their clients that they acquire long and/or short positions in such financial instruments.

## GENERAL INFORMATION

- (a) The issue of the Notes has been duly authorised by resolutions of the Board of Directors of the Issuer passed on 12 December 2013.
- (b) The Notes have been accepted for clearance by the CMU under the following CMU Instrument Number, ISIN and Common Code:  
  
CMU Instrument Number: DBANFN13031  
ISIN Number: HK0000176591  
Common Code: 100515342
- (c) Save as disclosed in this Offering Circular, there are no governmental, litigation or arbitration proceedings against or affecting the Issuer or any of its assets or revenues, nor is the Issuer aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the issue of the Notes.
- (d) Save as disclosed in this Offering Circular, since its date of incorporation, there has been (i) no material adverse change in the prospects of the Issuer; and (ii) no significant change in the financial or trading position of the Issuer.
- (e) The Issuer has not commenced operations or published any audited financial statements to date. The Issuer is not required under Cayman Islands law to prepare annual financial statements or audited accounts.
- (f) Approval in-principle has been received for the listing and quotation of the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Circular. Admission of the Notes to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer or the Notes. The Notes will be subject to a minimum board lot size of CNY500,000, to be traded on the SGX-ST in a minimum number of two lots in a single transaction, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a Paying Agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that the Global Certificate is exchanged for definitive certificates. In addition, in the event that the Global Certificate is exchanged for definitive certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive certificates, including details of the Paying Agent in Singapore.

- (g) Copies of the following documents may be inspected at the office of the Principal Paying Agent at 52/F International Commerce Centre 1 Austin Road West Kowloon Hong Kong during normal business hours for a period of six months from the date of this Offering Circular:
  - (a) the memorandum and articles of association of the Issuer;
  - (b) the Trust Deed;
  - (c) the Agency Agreement;
  - (d) the Security Trust Deed;
  - (e) the Security Assignment;
  - (f) the Accounts Charge;
  - (g) the Receivables Purchase Agreement; and
  - (h) the Transaction Administration Agreement.

## GLOSSARY

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