

## IMPORTANT NOTICE

**THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES.**

**IMPORTANT:** You must read the following before continuing. The following applies to the offering circular (the “**Offering Circular**”) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Issuer or the Company (each as defined in the Offering Circular) as a result of such access.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES AND THE GUARANTEE OF THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES AND THE GUARANTEE OF THE SECURITIES MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.**

**THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

The Offering Circular is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

The communication of the Offering Circular and any other document or materials relating to the issue of the Securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorised person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “**FSMA**”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the “**Financial Promotion Order**”), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “**Relevant Persons**”). In the United Kingdom, the Securities offered hereby are only available to, and any investment or investment activity to which the Offering Circular relates will be engaged in only with, Relevant Persons. Any person that is not a Relevant Person should not act or rely on the Offering Circular or any of its contents.

Singapore Securities and Futures Act Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Securities are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**Confirmation and your representation:** In order to be eligible to view the Offering Circular or make an investment decision with respect to the Securities, investors must be outside the United States. By accepting the e-mail and accessing the Offering Circular, you shall be deemed to have represented to the Issuer and the Company that (1) you and any customers you represent are outside the United States and that the electronic mail address that you gave the Issuer and/or the Company and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose the contents of the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers (as defined below) or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the issuer in such jurisdiction. The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, neither Crédit Agricole Corporate and Investment Bank, China CITIC Bank International Limited, CLSA Limited, ICBC International Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Barclays Bank PLC, Standard Chartered Bank, China Galaxy International Securities (Hong Kong) Co., Limited, DBS Bank Ltd., BNP Paribas, Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital Limited and SunRiver International Securities Group Limited (the “**Joint Global Coordinators**”) and China International Capital Corporation Hong Kong Securities Limited, Bank of China Limited, CCB International Capital Limited, Central China International Securities Co., Limited, China Industrial Securities International Brokerage Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, China Shandong International Asset Management Limited, Dongxing Securities (Hong Kong) Company Limited, Essence International Securities (Hong Kong) Limited, Flow Capital (HK) Limited, GF Securities (Hong Kong) Brokerage Limited, Guolian Securities International Capital Co., Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited, Neutral Financial Holding Company Limited, Orient Securities (Hong Kong) Limited, Shenwan Hongyuan Securities (H.K.) Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, The Bank of East Asia, Limited, Zhongtai International Securities Limited and SDHG International Securities Limited (together with the Joint Global Coordinators, collectively, the “**Joint Lead Managers**”), the Trustee or the Agents (each as defined in the Offering Circular) or any person who controls the Joint Lead Managers, the Trustee or the Agents, or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

The Offering Circular is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Circular.

To the fullest extent permitted by law, the Joint Lead Managers and their directors, officers, employees, agents and affiliates accept no responsibility for the contents of the Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager or an Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf, in connection with the Issuer, the Company, the Group (as defined in the Offering Circular), the issue and offering of the Securities or the giving of the Guarantee of the Securities (as defined in the Offering Circular). The Joint Lead Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of the Offering Circular or any such statement.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

# Coastal Emerald Limited

(A company incorporated in the British Virgin Islands with limited liability)

US\$900,000,000 6.50 per cent. Guaranteed Perpetual Securities

Unconditionally and Irrevocably Guaranteed by  
Shandong Hi-Speed Group Co., Ltd.

山東高速集團有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)



Issue Price: 100.0 per cent.

Coastal Emerald Limited (the "Issuer") is offering 6.50 per cent. guaranteed perpetual securities in the aggregate principal amount of US\$900,000,000 (the "Securities"). The Securities will be irrevocably and unconditionally guaranteed (the "Guarantee of the Securities") by Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) (the "Guarantor" or the "Company") pursuant to a deed of guarantee to be executed with respect to the Securities by the Guarantor and China CITIC Bank International Limited (the "Trustee") on or around 30 May 2024 (the "Deed of Guarantee").

The Securities will confer a right to receive distributions (each, a "Distribution") for the period from and including 30 May 2024 (the "Issue Date") at the applicable rate described below (the "Distribution Rate"). Subject to the provisions of the Securities relating to deferral of Distribution (see "Terms and Conditions of the Securities – Distribution – Distribution Deferral"), Distributions shall be payable semi-annually in arrear on 30 May and 30 November of each year (each, a "Distribution Payment Date"), commencing on 30 November 2024.

Upon the occurrence of a Change of Control, a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event (each as defined in the Terms and Conditions of the Securities (the "Terms and Conditions")) and each a "Step-Up Event", unless (i) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to holders of the Securities ("Holders" or "Securityholders"), the Trustee and the Principal Paying Agent by the 30th day following the occurrence of the relevant Step-Up Event; or (ii) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will be increased by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of such relevant Step-Up Event or (b) if the date on which such relevant Step-Up Event occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, provided that the maximum aggregate increase in the Distribution Rate shall be 3.00 per cent. per annum. See "Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events – Increase in Distribution Rate". If following an increase in the Distribution Rate after a Step-Up Event, such relevant Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders, the Trustee and the Principal Paying Agent, the Distribution Rate will be decreased by 3.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event, provided that the maximum aggregate decrease in the Distribution Rate shall be 3.00 per cent. per annum, as further described in "Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events – Decrease in Distribution Rate".

Unless previously redeemed in accordance with the terms of the Securities, Distributions (i) from, and including, the Issue Date to, but excluding, 30 May 2027 (the "First Reset Date") shall accrue on the outstanding principal amount of the Securities at a rate of 6.50 per cent. per annum; and (ii) from, and including, the First Reset Date to, but excluding, the Reset Date falling immediately after the First Reset Date, and from, and including, each Reset Date falling after the First Reset Date, to, but excluding, the immediately following Reset Date, shall accrue on the outstanding principal amount of the Securities at the Distribution Rate (except expressly provided to the otherwise, capitalised terms used herein shall have the meaning ascribed thereto in "Terms and Conditions of the Securities").

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

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

The Securities will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (Negative Pledge)), unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, other than those preferred by applicable law.

The Guarantee of the Securities will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (Negative Pledge)), unsecured obligations of the Company which will at all times rank at least *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, other than those preferred by applicable law.

Payments on the Securities and/or the Guarantee of the Securities will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (the "Taxes") imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong, the PRC or any jurisdiction in which the Issuer or the Company is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax (each, a "Relevant Jurisdiction") to the extent described in "Terms and Conditions of the Securities – Taxation".

The Securities are perpetual securities and have no fixed redemption date. The Issuer may redeem all, but not part, of the Securities (A) on any date from and including 30 April 2027 (being the date that falls one month prior to the First Reset Date) and including the First Reset Date or (B) on any Distribution Payment Date after the First Reset Date at their principal amount, together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount). The Securities may also be redeemed at the option of the Issuer in whole, but not in part, at the relevant prices specified in "Terms and Conditions of the Securities – Redemption and Purchase" upon the occurrence of (a) certain changes affecting taxes of any Relevant Jurisdiction, (b) any change or amendment to, or a change or amendment to any interpretation of, the Relevant Accounting Standards such that the Securities must not or must no longer be recorded as "equity" of the Company or Shandong Hi-Speed Holdings Group Limited (山高速集團有限公司) pursuant to their respective Relevant Accounting Standards, (c) a Breach of Covenant Event, (d) a Relevant Indebtedness Default Event, (e) a Change of Control, (f) a Dividend Stopper Breach Event or (g) at least 80 per cent. in principal amount of the Securities originally issued having been redeemed or purchased and cancelled prior to the date fixed for redemption.

Pursuant to the Administrative Measures for Examination and Registration of Medium and Long-term Foreign Debts of Enterprises (企業中長期外債審核登記管理辦法) (the "NDR Order 56") promulgated by the NDRC on 5 January 2023 and came into effect on 10 February 2023, the Company has registered the issuance of the Securities with the NDRC and obtained a certificate from the NDRC dated 15 April 2024 evidencing such registration ("NDRC Certificate"). Pursuant to the NDRC Certificate and NDRC Order 56, the Company will cause relevant information relating to the issue of the Securities to be reported to the NDRC within the timeframe prescribed by the NDRC after the Issue Date (as defined below). The Company undertakes to file or cause to be filed with the Shandong Branch of SAFE, the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by the State Administration of Foreign Exchange ("SAFE") on 12 May 2014 which came into effect on 1 June 2014 and any implementation rules or guidelines as issued by SAFE from time to time (the "Cross-border Security Registration") and shall use its all reasonable endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the Terms and Conditions). For a more detailed description, see the section entitled "Terms and Conditions of the Securities".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing of and quotation for the Securities 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 expressed or reports contained in this Offering Circular. Admission to the Official List of the SGX-ST and quotation of the Securities on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group, any of their subsidiaries, any of their associated companies or the Securities.

Investing in the Securities involves risks. See "Risk Factors" beginning on page 19 of this Offering Circular for a description of certain factors to be considered in connection with an investment in the Securities.

The Securities and the Guarantee of the Securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States and are only being offered and sold outside the United States in compliance with Regulation S under the Securities Act ("Regulation S"). For a description of these and certain restrictions on offers and sales of the Securities and the Guarantee of the Securities and the distribution of the Offering Circular, see "Subscription and Sale".

The Securities will be issued in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof.

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

Fitch Ratings Ltd. ("Fitch") has assigned a corporate rating of "A" with a negative outlook and Moody's Investors Service, Inc. ("Moody's") has assigned a corporate rating of "A3" with a stable outlook to the Company. The Securities are expected to be rated "A" by Fitch and "A3" by Moody's. Such ratings are only correct as at the date of this Offering Circular. The rating is not a recommendation to buy, sell or hold the Securities or any other securities of the Issuer, and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

## Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

Credit Agricole CIB	China CITIC Bank International	CITIC Securities	ICBC International	HSBC	Barclays	Standard Chartered Bank	
China Galaxy International	DBS Bank Ltd.	BNP PARIBAS	Huatai International	ABC International	SunRiver International Securities Group Limited		
Joint Lead Managers and Joint Bookrunners							
China International Capital Corporation	Bank of China	CCB International	Central China International	China Industrial Securities International	China Minsheng Banking Corp., Ltd., Hong Kong Branch	China Securities International	CMBC Capital
CMB International	CMB Wing Lung Bank Limited	CNCB Capital	CSIAM	Dongxing Securities (Hong Kong)	Essence International	Flow Capital	GF Securities
Guolian Securities International	Guotai Junan International	Haitong International	ICBC (Asia)	Industrial Bank Co., Ltd. Hong Kong Branch	Mizuho	Neutral Financial Holding	Orient Securities (Hong Kong)
Shenwan Hongyuan (H.K.)	SMBC Nikko	SPDB International	The Bank of East Asia, Limited	Zhongtai International			SDHG

The date of this Offering Circular is 23 May 2024.

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**This Offering Circular does not constitute an offer to sell to, or a solicitation of an offer to buy from, any person in any jurisdiction to whom it is unlawful to make the offer or solicitation in such jurisdiction. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Company or the Group since the date of this Offering Circular or that the information contained in this Offering Circular is correct as of any time after that date.**

Each of the Issuer and the Company, having made all reasonable inquiries, confirm that: (i) this Offering Circular contains all information with respect to the Issuer, the Company and each of their respective subsidiaries, the Securities and the Guarantee of the Securities which is material in the context of the issue and offering of the Securities; (ii) the statements contained in this Offering Circular relating to the Issuer, the Company and other members of the Group, the Securities and the Guarantee of the Securities are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Company and the other members of the Group and their businesses are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Company, the Group, the Securities and the Guarantee of the Securities, the omission of which would, in the context of the issue and offering of the Securities, make this Offering Circular, as a whole, misleading in any material respect; and (v) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such information and statements regarding the Issuer, the Company and the Group as described in this Offering Circular.

This Offering Circular is highly confidential. The Issuer and the Company are providing it solely for the purpose of enabling you to consider a purchase of the Securities. You should read this Offering Circular before making a decision whether to purchase the Securities. You must not use this Offering Circular for any other purpose, or disclose any information in this Offering Circular to any other person.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Securities described in this Offering Circular. You are responsible for making your own examination of the Issuer, the Company and the Group and your own assessment of the merits and risks of investing in the Securities. By purchasing the Securities, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled “*Subscription and Sale*” below.

No representation or warranty, express or implied, is made by Crédit Agricole Corporate and Investment Bank, China CITIC Bank International Limited, CLSA Limited, ICBC International Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Barclays Bank PLC, Standard Chartered Bank, China Galaxy International Securities (Hong Kong) Co., Limited, DBS Bank Ltd., BNP Paribas, Huatai Financial Holdings (Hong Kong) Limited, ABCI Capital Limited and SunRiver International Securities Group Limited (the “**Joint Global Coordinators**”) and China International Capital Corporation Hong Kong Securities Limited, Bank of China Limited, CCB International Capital Limited, Central China International Securities Co., Limited, China Industrial Securities International Brokerage Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Securities (International) Corporate Finance Company Limited, CMBC Securities Company Limited, CMB International Capital Limited, CMB Wing Lung Bank Limited, CNCB (Hong Kong) Capital Limited, China Shandong International Asset Management Limited, Dongxing Securities (Hong Kong) Company Limited, Essence International Securities (Hong Kong) Limited, Flow Capital (HK) Limited, GF Securities (Hong Kong) Brokerage Limited, Guolian Securities International Capital Co., Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Mizuho Securities Asia Limited, Neutral Financial Holding Company Limited, Orient Securities (Hong Kong) Limited, Shenwan Hongyuan Securities (H.K.) Limited, SMBC Nikko Securities (Hong Kong) Limited, SPDB International Capital Limited, The Bank of East Asia, Limited, Zhongtai International Securities Limited and SDHG

International Securities Limited (together with the Joint Global Coordinators, collectively, the “**Joint Lead Managers**”), the Trustee (as defined herein) or the Agents (as defined in the “*Terms and Conditions of the Securities*”) or any of their respective affiliates, directors, employees, agents, representatives or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Circular is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this Offering Circular acknowledges that: (i) such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives or advisors in connection with any investigation of the accuracy of such information or its investment decision; and (ii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Company, their respective subsidiaries and affiliates, the Securities or the Guarantee of the Securities (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives or advisors.

To the fullest extent permitted by law, the Joint Lead Managers and their directors, officers, employees, agents and affiliates accept no responsibility for the contents of the Offering Circular or for any other statement made or purported to be made by a Joint Lead Manager or an Agent, or any director, officer, employee, agent or affiliate of any such person or on its behalf, in connection with the Issuer, the Company, the Group, the issue and offering of the Securities or the giving of the Guarantee of the Securities. The Joint Lead Managers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of the Offering Circular or any such statement.

The Issuer, the Company and the Joint Lead Managers are not making an offer to sell the Securities (including the Guarantee of the Securities) in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Securities (including the Guarantee of the Securities) may in certain jurisdictions be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Securities (including the Guarantee of the Securities) and distribution of this Offering Circular, see the section entitled “*Subscription and Sale*”.

This Offering Circular summarises certain material documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, you must rely on your own examination of the Issuer, the Company and the Group and the terms of the offering, including the merits and risks involved. Neither the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives or advisors are making any representation to you regarding the legality of an investment in the Securities by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Circular to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding investment in the Securities.

The Issuer and the Company reserve the right to withdraw the offering of Securities at any time, and the Joint Lead Managers reserve the right to reject any commitment to subscribe for the Securities in whole or in part and to allot to any prospective purchaser less than the full amount of the Securities sought by such purchaser. The Joint Lead Managers and certain related entities may acquire for their own account a portion of the Securities.

This Offering Circular is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

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The communication of this Offering Circular and any other document or materials relating to the issue of the Securities offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom’s Financial Services and Markets Act 2000, as amended (the “FSMA”). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”)), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as “relevant persons”). In the United Kingdom, the Securities offered hereby are only available to, and any investment or investment activity to which this Offering Circular relates will be engaged in only with, relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this Offering Circular or any of its contents.

In connection with the issue of the Securities, any of the Joint Lead Managers appointed and acting in its capacity as a stabilisation manager (the “Stabilisation Manager”) (or any person acting on behalf of the Stabilisation Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail, but in doing so the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Stabilisation Manager or, as the case may be, the Joint Lead Managers in the manner agreed by them. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

### **Warning**

The contents of this Offering Circular have not been reviewed by any regulatory authority of any jurisdiction. You are advised to exercise caution in relation to the offering of the Securities. If you are in any doubt about any of the contents of this Offering Circular, you should obtain independent professional advice.

### **Industry and Market Data**

Market data and certain industry forecasts and statistics used throughout this Offering Circular have been obtained from, among other sources, internal surveys, market research, publicly available information and industry publications. Although the Issuer and the Company believe this information to be reliable and accurate, the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Company, the Joint Lead Managers, the Trustee or

the Agents or their respective affiliates, directors, employees, agents, representatives, officers or advisers makes any representation as to the correctness, accuracy or completeness of that information. The relevant information contained in this Offering Circular may not be consistent with other available information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

### **Notice to Investors**

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

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

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

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this offering (“**Private Banks**”)) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer and the Company, any OC(s), relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

## CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Circular is prepared using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “**we**”, “**us**”, “**our**”, the “**Guarantor**”, the “**Company**”, the “**Group**”, and words of similar import, we are referring to Shandong Hi-Speed Group Co., Ltd. 山東高速集團有限公司 and its consolidated subsidiaries, as the context requires. References herein to the “**Issuer**” are to Coastal Emerald Limited.

Unless otherwise specified or the context requires, all references in this Offering Circular to “**US\$**”, “**USD**” and “**U.S. dollars**” are to United States dollars, the official currency of the United States of America (the “**United States**” or “**U.S.**”); all references to “**RMB**” or “**Renminbi**” are to Renminbi, the official currency of the People’s Republic of China (“**China**” or the “**PRC**”); and all references to “**HK dollars**”, “**HK\$**” or “**HKD**” are to Hong Kong dollars, the lawful currency of Hong Kong.

All references to “**PRC**” and “**China**”, for the purposes of this Offering Circular, except where the context otherwise requires, do not include the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), the Macau Special Administrative Region of the People’s Republic of China (“**Macau**”) and Taiwan. “**PRC government**” or “**State**” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB7.0999 to US\$1.00, the noon buying rate in Renminbi as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 29 December 2023. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi or Hong Kong dollar amounts referred to herein have been, could have been or could be converted into U.S. dollars or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “*Exchange Rate Information*”. The Group’s financial statements are prepared in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”), which may differ in certain material respects from generally accepted accounting principles in certain other countries. You should seek professional advice with respect to such differences in generally accepted accounting principles.

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

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

## PRESENTATION OF FINANCIAL INFORMATION

The audited historical consolidated financial information of the Company as at and for the year ended 31 December 2021 included in this Offering Circular has been derived from the Company's audited consolidated financial statements as at and for the year ended 31 December 2022 (the "**Company's 2022 Audited Consolidated Financial Statements**"), an English translation of which is included elsewhere in this Offering Circular. The audited historical consolidated financial information of the Company as at and for the years ended 31 December 2022 and 2023 included in this Offering Circular has been derived from the Company's audited consolidated financial statements as at and for the year ended 31 December 2023 (the "**Company's 2023 Audited Consolidated Financial Statements**", together with the Company's 2022 Audited Consolidated Financial Statements, the "**Company's Audited Consolidated Financial Statements**"), an English translation of which is included elsewhere in this Offering Circular. The Company's Audited Consolidated Financial Statements were prepared and presented in accordance with the PRC GAAP and have been audited by ShineWing Certified Public Accountants ("**ShineWing**"), the independent auditors of the Company.

The Group has adopted a number of new accounting standards during the track record period. For more information, please refer to Note V "*Introduction of changes in accounting policies and estimates and correction of significant previous errors*" of the Company's audited historical consolidated financial statements as at and for the years ended 31 December 2022 and 2023. Please also refer to "*Risk Factors – Risks Relating to the Group's Businesses – The Group faces risks related to changes in accounting standards and correction of historical accounting errors*".

The Company's Audited Consolidated Financial Statements have only been prepared in Chinese, the English translation of which (the "**Financial Statements Translations**") have been prepared and included in this Offering Circular for reference only. None of the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers has independently verified or checked the accuracy of the Financial Statements Translations and can give no assurance that the information contained in the Financial Statements Translations is accurate, truthful or complete.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results.

The consolidated financial information of the Company included in this Offering Circular has been prepared in accordance with PRC GAAP, which differs in certain respects from IFRS and generally accepted accounting principles in other jurisdictions. See "*Summary of Certain Differences between PRC GAAP and IFRS*".

This Offering Circular includes figures relating to EBITDA of the Guarantor. EBITDA is not a standard measure under PRC GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.



## FORWARD-LOOKING STATEMENTS

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

- (1) the Group’s business strategies, objectives and plan of operation;
- (2) the Group’s capital expenditure plans;
- (3) the amount and nature of, and potential for, future development of the Group’s business;
- (4) the Group’s operations and business prospects;
- (5) the dividend policies of the Company’s subsidiaries and portfolio companies;
- (6) the regulatory environment in general;
- (7) changes in political, economic, legal and social conditions, in particular in the PRC, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- (8) capital market developments;
- (9) future developments, trends and conditions in the Group’s industry in China; and
- (10) other statements in this Offering Circular that are not historical facts.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*” and elsewhere in this Offering Circular. The Issuer, the Company and any member of the Group can give no assurance that the expectations reflected in the forward-looking statements will prove to be correct. Each of the Issuer and the Company cautions you not to place undue reliance on these forward-looking statements which reflect the Issuer’s and/or the Company’s management’s view only as at the date of this Offering Circular. The Issuer and the Company undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, change of conditions or circumstances on which any statement was based or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur.

In light of the foregoing and the risks, uncertainties and assumptions in “*Risk Factors*” and elsewhere in this Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the Issuer’s, the Company’s or the Group’s actual results, performance or achievements could differ materially from those anticipated in or implied by these forward-looking statements.

## TABLE OF CONTENTS

	<b>Page</b>
SUMMARY .....	1
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP .....	4
SUMMARY OF THE OFFERING .....	10
RISK FACTORS .....	19
TERMS AND CONDITIONS OF THE SECURITIES .....	57
GLOBAL CERTIFICATE .....	85
USE OF PROCEEDS .....	87
EXCHANGE RATE INFORMATION .....	88
CAPITALISATION AND INDEBTEDNESS OF THE GROUP .....	90
DESCRIPTION OF THE ISSUER .....	91
DESCRIPTION OF THE GROUP .....	92
DIRECTORS AND MANAGEMENT OF THE COMPANY .....	127
PRC LAWS AND REGULATIONS .....	133
TAXATION .....	139
SUBSCRIPTION AND SALE .....	143
SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN PRC GAAP AND IFRS ...	150
GENERAL INFORMATION .....	152
INDEX TO FINANCIAL STATEMENTS .....	F-1

## SUMMARY

*This summary below is only intended to provide a very limited overview of information described in 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. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this entire Offering Circular, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.*

### Overview

The Guarantor was established by the People’s Government of Shandong province (“**Shandong Government**”) as a wholly state-owned enterprise under the direct supervision of the State-owned Assets Supervision and Administration Commission of Shandong province (“**SSASAC**”). SSASAC, on behalf of Shandong Government, acts as the Guarantor’s majority shareholder and holds the shares of the Guarantor together with Shandong Caixin Asset Operation Co., Ltd (山東省財欣資產運營有限公司) (“**Shandong Caixin**”) and Shandong Guohui Investment Holding Group Co., Ltd. (山東國惠投資控股集團有限公司) (“**Shandong Guohui**”). Leveraging its advantages in its core expressway and railway businesses, the Group has grown into a modernised, international and efficient transportation and infrastructure conglomerate. The Guarantor, through its subsidiaries and affiliates, is principally engaged in the investment in, and construction, operation and management of various transportation and infrastructure facilities. The Group’s businesses can be divided into the following segments:

- expressway;
- railway;
- construction;
- trading;
- financial services; and
- emerging industry and other businesses.

The Group is the largest provincially supervised state-owned enterprise in Shandong province and the largest infrastructure developer in Shandong province in terms of total assets as at 31 December 2023. It is also an industry leader in terms of total assets as at 31 December 2023. As at and for the years ended 31 December 2021, 2022 and 2023, the Group’s total assets ranked first and profits ranked among the top, respectively, among all state-owned enterprises directly supervised by Shandong Government. It was the only state-owned enterprise in Shandong province that was awarded the Special Award (First Class)(省管企業特別獎勵一等獎) by Shandong Government in 2015. In recent years, the Group has won a series of awards, including the “Provincial Civilised Highway System”, “National Civilised Traffic System”, “Provincial Civilised Unit”, “Chinese Most Honest Enterprise”, one of the “60 Outstanding Enterprises in the 60 Years of New China”, “National High Customer Satisfaction Enterprise”, “China Charity Award”, “Shandong Top Ten Responsible Enterprises”, “Shandong Excellent Corporation”, “Shandong AAA Credit Enterprise”, “Shandong Excellent Enterprise in the 30 Years of Reform and Opening-up”, “Shandong Governor Quality Award”, “Representative Unit of Intellectual Property Protection of Shandong Province” by the Intellectual Property Office of Shandong province, the “Innovative Technology Award”, “Best Product Award”, “Classic Engineering Work Award” by the China Highway and Transportation Society, “May 1st Labour Award” by Shandong province and the first prize in the Shandong Expressway Maintenance Staff Skills Group Competition. The Group is among the first batch of “Enhanced Financing Monitoring Issuers” selected by the Shanghai Stock Exchange.

### **Expressway business segment**

The Group is primarily engaged in the investment in, and construction, operation and management of, roads, expressways, bridges, tunnels in Shandong, Sichuan, Henan, Yunnan, Hunan and Hubei provinces. As at 31 December 2023, the Group operated expressways with a total length of approximately 8,745 kilometres, of which 7,059 kilometres are in Shandong province. Before the merger and restructuring with Qilu Transportation Development Group Company Limited (齊魯交通發展集團有限公司) (“**Qilu Transportation**”) (the “**Qilu Merger**”), the majority of the Group’s expressways were managed and operated by Shandong Hi-Speed Company Limited (山東高速股份有限公司) (“**SHCL**”), a subsidiary of the Guarantor which is listed on the Shanghai Stock Exchange (stock code: 600350). After the Qilu Merger, the expressways used to be managed by Qilu Transportation are managed by regional subsidiaries of the Guarantor transferred from Qilu Transportation.

In addition, the Group is also engaged in providing ancillary services in relation to the operation of expressways, such as the management and operation of designated areas for fuelling, dining and accommodation services. The construction and development of its roads, expressways, bridges and tunnels are conducted under the construction business segment. For details, please see “*Construction*” below.

### **Railway business segment**

In terms of railways, the Group is primarily engaged in the investment in, and construction and operation of railways and rail transit infrastructure in Shandong province and other regions of the PRC. The railway business serves as a complement to the Group’s expressway business and is an important part of the Group’s integrated transport infrastructure network. The Group’s railway business originated from Shandong Local Railway Bureau. Hence, the Group has received substantial governmental support over the years in undertaking construction projects. It is actively participating in the investment in, and construction and management of railway projects in the PRC on behalf of Shandong Government.

### **Construction business segment**

The Group engages in the construction of roads, expressways, bridges, tunnels and other related infrastructure. It undertakes foreign economic and technological projects on behalf of the PRC government and provides consulting and subcontracting services relating to the construction of infrastructure. The Group’s construction business is one of its core competitive strengths.

### **Trading business segment**

The Group’s trading business mainly consists of sale of fuel oil, including the sale of the fuel oil at the gas station in the service area of the expressway and the bulk oil sales business.

### **Financial services business segment**

The Group has established a multi-channel financing platform to develop the Group’s financial services and other businesses. The Group’s financial services business segment primarily consists of (i) the banking business conducted through Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) (“**WCC Bank**”); (ii) the insurance business conducted through Taishan Property & Casualty Insurance Co., Ltd. (泰山財產保險股份有限公司) (“**Taishan Insurance**”); and (iii) the leasing business conducted through Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司) (the “**ST Financial Leasing**”) and Shandong Expressway Global Financial Leasing Co., Ltd. (山東高速環球融資租賃有限公司) (the “**SG Financial Leasing**”).

### **Key Strengths and Competitive Advantages**

The Group believes that it has the following key strengths and competitive advantages:

- An industry leader in expressways with strong market share, an established operational track record, quality assets and leading construction capability;

- A unique geographical advantage;
- Continued support from Shandong Government;
- Diversified business portfolio that generates a stable cashflow and reduces cyclical risks;
- Outstanding brand value attributable to world leading construction and research and development capabilities;
- Sound credit profile and access to financing resources;
- Comprehensive risk management system; and
- Experienced management team with strong execution track record.

### **Strategies**

The Group is focusing on the following strategies:

- Continuing to assume the responsibilities of being the major state-owned enterprise of Shandong Government and implement the important mission of infrastructure construction in Shandong province;
- Promoting the four core transformations of “Innovation, Transformation, Capital and Efficiency”;
- Maintaining high operational efficiency and seizing suitable expansion opportunities;
- Establishing a strong foothold regionally and expanding globally;
- Enhancing risk management and streamlining organisational structure; and
- Recruiting high-skilled talent and emphasising a “people-oriented” culture.

## SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

*The following tables set forth the summary consolidated financial information of the Guarantor as at and for the years indicated.*

*The summary audited consolidated financial information of the Guarantor as at and for the years ended 31 December 2021, 2022 and 2023 has been derived from the Guarantor's Audited Historical Consolidated Financial Statements. Such financial statements were prepared and presented in accordance with PRC GAAP.*

*The Guarantor has adopted a number of new accounting standards during the track record period. Hence its historical financial information may not be directly comparable to each other. For more information, please refer to Note V "Introduction of changes in accounting policies and estimates and correction of significant previous errors" of the Guarantor's Audited Historical Consolidated Financial Statements. Please also see "Risk Factors – Risks Relating to the Group's Businesses – The Group faces risks related to changes in accounting standards and correction of historical accounting errors".*

*The Guarantor's Audited Historical Consolidated Financial Statements have only been prepared in Chinese, and the Financial Statements Translations have been prepared and included in this Offering Circular for reference only. None of the Joint Lead Managers or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers has independently verified or checked the accuracy of the Financial Statements Translations and can give no assurance that the information contained in the Financial Statements Translations is accurate, truthful or complete.*

*None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results.*

*The consolidated financial information of the Guarantor included in this Offering Circular has been prepared in accordance with PRC GAAP, which differs in certain respects from IFRS and generally accepted accounting principles in other jurisdictions. See "Summary of Certain Material Differences between PRC GAAP and IFRS".*

*The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant audited consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular.*

*This Offering Circular includes figures relating to EBITDA of the Guarantor. EBITDA is not a standard measure under PRC GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, investors should consider, among other things, the components of EBITDA such as operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because the Guarantor believes that it is a useful supplement to cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definition.*

## Consolidated Statement of Income

	For the year ended 31 December			
	2021	2022	2023	
	(Audited)	(Audited) (RMB)	(Audited)	(Unaudited and unreviewed) (USD)
<b>1. Total operating income</b>	201,636,945,033.49 <sup>(1)</sup>	231,769,271,225.32	260,118,090,470.39	36,636,866,782.69
Including: Operating income	185,847,686,886.04 <sup>(1)</sup>	213,943,395,772.75	241,043,007,952.50	33,950,197,601.73
Interest income	13,037,826,000.08	14,434,239,281.12	15,569,225,314.64	2,192,879,521.49
Earned premium	2,084,533,456.47	2,654,093,310.15	2,807,850,282.39	395,477,440.86
Handling charges and commissions income	666,898,690.90	737,542,861.30	698,006,920.86	98,312,218.60
<b>2. Total operating costs</b>	187,602,745,909.41 <sup>(1)</sup>	218,771,602,246.21	244,995,346,742.43	34,506,872,877.43
Including: Operating costs	149,105,261,395.14 <sup>(1)</sup>	174,522,269,510.53	197,749,879,746.28	27,852,488,027.48
Interest expenses	7,015,846,925.36	8,003,059,875.33	8,938,983,822.23	1,259,029,538.76
Handling charges and commissions expenses	301,180,708.66	387,828,130.29	427,084,173.12	60,153,547.67
Net amount of compensation expenses	1,450,048,074.95	1,529,871,232.84	1,895,618,338.17	266,992,258.79
Net appropriation of deposit for duty	56,832,604.51	298,874,373.23	6,994,694.68	985,182.14
Reinsurance expenses	(15,951,636.17)	(17,254,723.07)	23,083,761.81	3,251,279.85
Taxes and surcharges	4,298,470,564.32	6,257,664,691.09	4,332,164,887.13	610,172,662.59
Selling expenses	3,118,567,999.99	3,599,585,589.99	3,501,677,806.15	493,201,003.70
Administrative expenses	6,305,603,356.07	6,773,448,667.79	7,506,096,156.59	1,057,211,532.08
Research and development expenses	3,424,761,670.60	4,547,405,634.08	5,404,539,459.48	761,213,462.09
Financial expenses	12,542,124,245.98	12,868,849,264.11	15,209,223,896.79	2,142,174,382.29
Including: Interest expenses	13,388,315,205.14	14,268,426,552.36	17,127,271,774.40	2,412,325,775.63
Interests income	1,319,876,313.96	1,841,698,047.11	2,363,605,224.14	332,906,833.07
Net exchange losses	19,136,311.73	(62,352,149.49)	(31,316,152.84)	(4,410,787.88)
Add: Other income	2,770,374,846.19	1,019,625,489.78	1,248,476,610.26	175,844,252.77
Investment income	5,433,873,897.92	7,740,392,848.60	7,113,737,266.62	1,001,948,938.24
Including: Income from investments in associates and joint ventures	1,330,568,264.12	1,515,659,845.69	1,607,362,519.34	226,392,275.85
Exchange income	(38,438,979.51)	286,586,022.51	39,902,318.55	5,620,124.02
Gains on changes in fair value	306,772,004.52	(1,699,541,317.30)	548,790,784.98	77,295,565.43
Credit impairment losses	(5,420,649,625.02)	(3,986,162,622.35)	(6,024,968,735.57)	(848,599,097.95)
Asset impairment loss	(1,553,515,177.63)	(666,816,945.40)	(1,437,600,144.09)	(202,481,745.39)
Gains from asset disposal	147,315,310.70	(70,459,003.54)	(90,237,226.95)	(12,709,647.59)
<b>3. Operating profits</b>	15,679,931,401.25 <sup>(1)</sup>	15,621,293,451.41	16,520,844,601.76	2,326,912,294.79
Add: Non-operating income	792,413,120.27 <sup>(1)</sup>	575,670,968.89	358,355,092.68	50,473,259.16
Including: Government grants	74,685,941.38	33,884,600.83	31,204,640.29	4,395,081.66
Less: Non-operating expenses	630,629,464.24	720,952,414.94	396,719,789.11	55,876,813.63
<b>4. Total profits</b>	15,841,715,057.28 <sup>(1)</sup>	15,476,012,005.36	16,482,479,905.33	2,321,508,740.31
Less: Income tax expense	4,002,655,664.10	3,936,824,280.97	3,965,481,141.26	558,526,337.17
<b>5. Net Profit</b>	11,839,059,393.18 <sup>(1)</sup>	11,539,187,724.39	12,516,998,764.07	1,762,982,403.14
<b>Classified by ownership:</b>				
Net profit attributable to owners of parent company	4,868,582,193.69 <sup>(1)</sup>	2,991,361,512.87	3,480,058,229.96	490,155,950.08
Gains or losses on non-controlling interests	6,970,477,199.49 <sup>(1)</sup>	8,547,826,211.52	9,036,940,534.11	1,272,826,453.06
<b>Classified by continuity of operations</b>				
Net profit from continuing operating	11,839,059,393.18 <sup>(1)</sup>	11,539,187,724.39	12,516,998,764.07	1,762,982,403.14
<b>6. Other comprehensive income after tax</b>	1,484,949,963.63 <sup>(1)</sup>	(396,136,873.55)	(1,095,706,718.63)	(154,327,063.57)
Other comprehensive income after tax attributable to owners of the parent company	1,787,468,836.02	73,325,385.44	(905,346,155.46)	(127,515,339.01)
(I) Not re-classified subsequently to profit or loss	1,928,076,174.28	1,234,219,857.43	(577,388,307.98)	(81,323,442.30)
Other comprehensive income that cannot be transferred to profit or loss under equity method	–	(8,664,235.18)	5,133,408.68	723,025.49
Changes in fair value of other equity instrument investments	1,928,076,174.28	1,242,884,092.61	(582,521,716.66)	(82,046,467.79)

	For the year ended 31 December			
	2021	2022	2023	
	(Audited)	(Audited) (RMB)	(Audited)	(Unaudited and unreviewed) (USD)
(II) To be reclassified subsequently to profit or loss	(140,607,338.26)	(1,160,894,471.99)	(327,957,847.48)	(46,191,896.71)
Other comprehensive income that can be transferred to profit and loss under equity method . . . . .	(1,768,968.81)	12,008,086.48	(63,756,016.55)	(8,979,847.12)
Changes in fair value of other debt investment . . .	57,710,570.03	(306,147,078.83)	174,414,704.13	24,565,797.28
Provision for credit impairment of other debt investments. . . . .	12,268,575.86	24,197,453.48	(31,481,218.70)	(4,434,036.92)
Translation differences of foreign currency statements . . . . .	1,802,065.23	(393,546,246.22)	(142,940,744.47)	(20,132,782.78)
Others . . . . .	(210,619,580.57)	(497,406,686.90)	(264,194,571.89)	(37,211,027.18)
Other comprehensive income after tax attributable to non-controlling interests . . . . .	(302,518,872.39) <sup>(1)</sup>	(469,462,258.99)	(190,360,563.17)	(26,811,724.56)
<b>7. Total comprehensive income . . . . .</b>	<b>13,324,009,356.81<sup>(1)</sup></b>	<b>11,143,050,850.84</b>	<b>11,421,292,045.44</b>	<b>1,608,655,339.57</b>
Total comprehensive income attributable to owners of the parent company . . . . .	6,656,051,029.71 <sup>(1)</sup>	3,064,686,898.31	2,574,712,074.50	362,640,611.06
Total comprehensive income attributable to non- controlling interests. . . . .	6,667,958,327.10 <sup>(1)</sup>	8,078,363,952.53	8,846,579,970.94	1,246,014,728.51



## Consolidated Balance Sheet

As at 31 December

	2022		2023	
	(Audited)	(Audited) (RMB)	(Audited)	(Unaudited and unreviewed) (USD)
<b>Current Assets:</b>				
Cash and cash equivalents . . . . .	60,297,870,989.41	59,365,818,118.89	59,918,520,218.27	8,439,347,063.80
Lendings to banks and other financial institutions . . . . .	2,052,037,259.97	–	56,593,837.20	7,971,075.25
Financial assets held for trading . . . . .	18,309,271,770.92	16,564,452,330.79	21,930,288,241.99	3,088,816,496.29
Financial assets at fair value through profit and loss . . . . .	1,741,136,406.40	1,630,209,420.95	–	–
Derivative financial assets . . . . .	34,401,309.07	252,386,440.22	112,983,247.86	15,913,357.63
Notes receivable . . . . .	1,341,281,212.46	516,946,063.49	4,485,390,242.81	631,754,002.56
Accounts receivable . . . . .	15,806,882,241.42	24,517,814,479.21	30,789,297,665.38	4,336,581,876.56
Receivable financing . . . . .	1,338,418,524.24	1,734,864,632.80	492,331,930.05	69,343,502.03
Prepayments . . . . .	9,598,347,994.70	11,808,222,504.36	13,680,590,075.63	1,926,870,811.65
Premiums receivable . . . . .	203,787,887.09	363,188,752.24	327,752,241.18	46,162,937.67
Reinsurance accounts receivable . . . . .	251,614,129.91	270,316,580.13	149,892,716.16	21,111,947.51
Receivable reserves for reinsurance contracts . . . . .	241,541,476.39	278,092,978.81	216,350,974.96	30,472,397.49
Other receivables . . . . .	21,817,688,211.12	27,448,965,459.52	25,602,162,581.78	3,605,989,180.38
Including: Dividends receivable . . . . .	445,790,630.58	855,271,975.68	566,489,428.18	79,788,367.19
Financial assets bought for re-sale . . . . .	376,359,592.42	110,246,190.25	19,767,019.76	2,784,126.50
Inventories . . . . .	19,495,787,179.01	18,482,938,078.41	19,957,518,808.74	2,810,957,733.03
Including: Raw materials . . . . .	3,403,641,019.10	4,374,909,094.04	6,106,474,999.47	860,079,015.12
Good on hand (finished products) . . . . .	6,664,256,265.41	7,568,610,600.47	7,880,758,546.86	1,109,981,626.06
Contract assets . . . . .	32,464,004,738.63 <sup>(1)</sup>	44,085,389,104.66	56,985,212,064.74	8,026,199,251.36
Assets classified as held for Sale . . . . .	–	684,297,490.69	1,933,576,490.64	272,338,552.75
Non-current assets maturing within one year . . . . .	3,612,476,254.98	7,344,875,266.72	15,538,439,362.08	2,188,543,410.76
Other current assets . . . . .	18,610,728,979.78	21,849,950,737.39	27,090,326,367.10	3,815,592,665.69
<b>Total Current Assets . . . . .</b>	<b>207,593,636,157.92<sup>(1)</sup></b>	<b>237,308,974,629.48</b>	<b>279,286,994,086.33</b>	<b>39,336,750,388.93</b>
<b>Non-Current Assets:</b>				
Loans and advances . . . . .	145,690,646,926.81	168,151,036,944.52	193,904,894,336.56	27,310,933,159.14
Investments in debt securities . . . . .	106,055,742,795.21	109,325,526,399.48	111,195,411,604.42	15,661,546,163.24
Available-for-sale financial assets . . . . .	1,008,503,398.57	758,485,586.60	–	–
Other investments in debt securities . . . . .	29,412,440,797.52	44,117,200,249.03	66,775,042,289.93	9,405,067,999.54
Held-to-maturity investments . . . . .	–	82,806,964.29	–	–
Long-term receivables . . . . .	38,496,417,948.75	48,969,520,552.45	50,584,263,417.66	7,124,644,490.44
Long-term equity investments . . . . .	24,269,951,934.12	32,176,463,497.58	37,621,526,865.70	5,298,881,232.93
Investment in other equity instruments . . . . .	30,358,635,875.71	31,554,724,424.39	35,124,773,270.30	4,947,220,844.00
Other non-current financial assets . . . . .	18,128,743,724.58	22,082,539,171.97	26,227,556,823.68	3,694,074,117.06
Investment properties . . . . .	5,476,611,050.66	7,438,324,825.80	7,589,298,916.91	1,068,930,395.77
Fixed assets . . . . .	180,459,304,907.51	194,823,604,078.26	197,804,826,387.88	27,860,227,100.08
Including: Original value of fixed assets . . . . .	244,149,470,947.49	274,715,196,759.76	291,387,368,335.97	41,041,052,456.51
accumulated depreciation . . . . .	63,187,262,670.92	79,275,629,551.92	92,879,001,559.62	13,081,733,765.21
provision for impairment . . . . .	513,551,427.03	617,960,169.80	731,834,604.18	103,076,748.15
Construction in progress . . . . .	20,261,442,315.11 <sup>(1)</sup>	17,535,424,153.49	9,043,963,819.09	1,273,815,662.06
Productive biological assets . . . . .	476,805,511.49	469,988,095.28	232,693,374.83	32,774,176.37
Right-of-use assets . . . . .	1,054,444,122.79	4,586,829,661.25	5,262,801,897.84	741,250,144.06
Intangible assets . . . . .	293,197,546,360.98 <sup>(1)</sup>	356,897,769,417.97	453,915,562,389.79	63,932,669,810.81
Development expenditures . . . . .	36,348,812.51	48,742,046.24	57,270,060.57	8,066,319.32
Goodwill . . . . .	3,856,674,079.11	3,855,028,815.24	3,797,841,004.72	534,914,717.77
Long-term deferred expenses . . . . .	1,652,741,007.13	1,934,870,192.15	1,791,185,711.45	252,283,230.95
Deferred tax assets . . . . .	5,800,710,819.13	6,967,330,698.47	7,910,090,789.72	1,114,112,986.06
Other non-current Assets . . . . .	26,545,555,129.79 <sup>(1)</sup>	33,529,554,986.58	25,617,456,936.28	3,608,143,345.16
<b>Total non-current Assets . . . . .</b>	<b>932,239,267,517.48<sup>(1)</sup></b>	<b>1,085,305,770,761.04</b>	<b>1,234,456,459,897.33</b>	<b>173,869,555,894.78</b>
<b>Total Assets . . . . .</b>	<b>1,139,832,903,675.40<sup>(1)</sup></b>	<b>1,322,614,745,390.52</b>	<b>1,513,743,453,983.66</b>	<b>213,206,306,283.70</b>

	As at 31 December			
	2021	2022	2023	
	(Audited)	(Audited) (RMB)	(Audited)	(Unaudited and unreviewed) (USD)
<b>Current Liabilities:</b>				
Short-term borrowings . . . . .	23,083,131,113.98	32,706,798,683.48	43,945,725,331.02	6,189,625,956.85
Borrowings from the Central Bank . . . . .	11,281,744,828.60	10,292,752,058.49	9,836,381,987.76	1,385,425,426.80
Borrowings from banks and other financial institutions . . . . .	15,066,239,120.37	20,038,677,671.84	22,579,540,657.40	3,180,261,786.42
Derivative financial liabilities . . . . .	9,162,940.70	11,897,988.80	24,133,765.79	3,399,169.82
Notes payable . . . . .	17,816,658,815.62	18,439,684,785.95	20,075,158,542.82	2,827,526,943.03
Accounts payable . . . . .	68,933,138,161.56	77,990,108,276.95	89,390,759,648.41	12,590,425,167.74
Advances received . . . . .	803,808,134.46	281,096,205.12	881,566,876.51	124,166,097.62
Contract liabilities . . . . .	10,182,826,334.35	9,843,740,645.29	7,370,795,558.55	1,038,154,841.41
Financial assets sold for repurchase . . . . .	7,004,002,860.82	9,804,970,940.27	11,351,221,507.84	1,598,786,110.77
Deposits received and interbank deposit . . . . .	205,786,311,460.75	231,170,424,455.72	270,591,352,483.87	38,111,994,884.98
Employee benefits payable . . . . .	1,897,352,911.54	1,715,572,700.22	1,730,286,651.12	243,705,777.70
Including: Wage payable . . . . .	1,425,598,160.94	1,313,286,871.38	1,294,496,848.29	182,326,067.73
Welfare payable . . . . .	3,575,103.51	5,521,079.57	6,681,092.29	941,012.17
Taxes and surcharges payable . . . . .	5,162,351,720.76	5,305,635,128.92	4,546,217,552.45	640,321,349.94
Including: Tax payable . . . . .	5,076,587,309.63 <sup>(1)</sup>	5,150,891,364.32	4,355,612,027.81	613,475,123.28
Other payables . . . . .	29,619,354,562.46	20,784,678,586.05	27,163,220,952.72	3,825,859,653.34
Including: Dividends payable . . . . .	1,079,737,053.55	1,358,782,937.24	1,832,923,575.60	258,161,886.17
Handling charges and commissions payable . . . . .	42,215,745.76	50,277,661.10	42,878,159.12	6,039,262.40
Reinsurance payable . . . . .	169,790,870.41	248,496,268.00	115,614,696.25	16,283,989.39
Non-current liabilities due within one year . . . . .	23,932,626,713.27	39,162,752,475.15	62,787,257,513.36	8,843,400,261.04
Other current liabilities . . . . .	13,749,670,537.96	53,551,044,015.85	42,502,793,776.42	5,986,393,297.99
<b>Total current liabilities . . . . .</b>	<b>434,540,386,833.37</b>	<b>531,398,608,547.20</b>	<b>614,934,905,661.41</b>	<b>86,611,769,977.24</b>
<b>Non-Current Liabilities:</b>				
Provision for insurance contracts . . . . .	2,497,854,523.18	2,801,528,464.39	2,739,212,947.73	385,810,074.47
Long-term borrowing . . . . .	291,061,163,594.39	338,245,268,842.27	388,158,255,178.03	54,670,946,798.97
Bonds payable . . . . .	93,101,161,307.51	77,485,292,376.41	87,568,278,527.61	12,333,734,070.57
Lease liabilities . . . . .	901,282,381.90	3,208,889,714.54	4,165,411,638.47	586,685,958.74
Long-term payables . . . . .	9,929,798,271.95	15,652,200,469.90	11,518,885,454.75	1,622,401,083.78
Long-term employee benefits payable . . . . .	1,301,727,100.73	1,384,607,408.08	1,381,079,527.44	194,520,983.03
Estimated Liabilities . . . . .	1,495,166,263.48	1,981,674,033.28	1,418,208,356.39	199,750,469.22
Deferred revenues . . . . .	7,537,553,798.08	6,889,228,765.94	9,644,553,582.82	1,358,406,961.06
Deferred tax liabilities . . . . .	3,162,472,363.02	3,832,160,832.66	4,649,446,853.72	654,860,892.93
Other non-current Liabilities . . . . .	812,932,044.20	2,896,188,247.10	1,735,435,165.81	244,430,930.83
<b>Total non-current liabilities . . . . .</b>	<b>411,801,111,648.44</b>	<b>454,377,039,154.57</b>	<b>512,978,767,232.77</b>	<b>72,251,548,223.60</b>
<b>Total Liabilities . . . . .</b>	<b>846,341,498,481.81</b>	<b>985,775,647,701.77</b>	<b>1,127,913,672,894.18</b>	<b>158,863,318,200.85</b>
<b>Owners' Equity:</b>				
Paid-in capital . . . . .	45,900,000,000.00	45,900,000,000.00	45,900,000,000.00	6,464,879,787.04
State capital . . . . .	36,720,000,000.00	32,130,000,000.00	32,130,000,000.00	4,525,415,850.93
Stated-owned corporate capital . . . . .	9,180,000,000.00	13,770,000,000.00	13,770,000,000.00	1,939,463,936.11
Net paid-in capital . . . . .	45,900,000,000.00	45,900,000,000.00	45,900,000,000.00	6,464,879,787.04
Other equity instruments . . . . .	36,000,000,000.00	44,500,000,000.00	52,000,000,000.00	7,324,046,817.56
Including: Perpetual bonds . . . . .	36,000,000,000.00	44,500,000,000.00	52,000,000,000.00	7,324,046,817.56
Capital Reserve . . . . .	63,483,196,376.92	71,312,200,071.17	82,481,380,120.02	11,617,259,414.92
Other comprehensive income . . . . .	2,470,438,294.59 <sup>(1)</sup>	2,722,921,558.64	2,081,514,975.07	293,175,252.48
Including: Translation differences of foreign currency statements . . . . .	(88,239,440.30)	(481,785,686.52)	(624,726,430.99)	(87,990,877.48)
Special reserve . . . . .	481,453,617.83	529,966,492.77	595,551,890.78	83,881,729.43
Surplus reserve . . . . .	1,903,470,250.66	1,903,470,250.66	2,263,872,698.85	318,859,800.68
Including: Statutory surplus reserve . . . . .	1,903,470,250.66	1,903,470,250.66	2,263,872,698.85	318,859,800.68
General risk reserve . . . . .	1,468,156,600.12	1,750,176,151.62	1,968,369,225.96	277,239,007.02
Undistributed profit . . . . .	13,756,405,010.86 <sup>(1)</sup>	14,415,031,498.82	13,398,314,951.20	1,887,113,191.90
Total equity attributable to the owners of parent company . . . . .	165,463,120,150.98 <sup>(1)</sup>	183,033,766,023.68	200,689,003,861.88	28,266,455,001.04
Minority interests . . . . .	128,028,285,042.61 <sup>(1)</sup>	153,805,331,665.07	185,140,777,227.60	26,076,533,081.82
<b>Total owners' equity . . . . .</b>	<b>293,491,405,193.59<sup>(1)</sup></b>	<b>336,839,097,688.75</b>	<b>385,829,781,089.48</b>	<b>54,342,988,082.86</b>
<b>Total liabilities and owners' equity . . . . .</b>	<b>1,139,832,903,675.40<sup>(1)</sup></b>	<b>1,322,614,745,390.52</b>	<b>1,513,743,453,983.66</b>	<b>213,206,306,283.70</b>

## Other Financial Data of the Group

	For the year ended 31 December		
	2021	2022	2023
		(RMB)	
Profit before tax . . . . .	15,841,715,057.28 <sup>(1)</sup>	15,476,012,005.36	16,482,479,905.33
Interest expense . . . . .	13,388,315,205.14	14,268,426,552.36	17,127,271,774.40
Depreciation <sup>(2)</sup> . . . . .	13,542,559,945.69	13,060,691,024.01	14,312,981,115.14
Amortisation <sup>(3)</sup> . . . . .	5,559,645,558.39	5,123,637,638.55	6,109,056,225.97
EBITDA <sup>(4)</sup> . . . . .	48,332,235,766.50	47,928,767,220.28	54,031,789,020.84

### Notes:

- (1) Adjusted due to the Group's adoption of new accounting standards since 1 January 2022.
- (2) Depreciation refers to fixed assets depreciation, depletion of oil and gas assets and productive biological assets depreciation.
- (3) Amortisation refers to intangible assets amortisation.
- (4) EBITDA equals the sum of profit before tax, interest expense, depreciation and amortisation.

## SUMMARY OF THE OFFERING

*The following is a general summary of the terms of the Offering. Capitalised terms used but not otherwise defined herein shall have the meanings given to them in the section entitled “Terms and Conditions of the Securities”. The section entitled “Terms and Conditions of the Securities” prevails to the extent of any inconsistency set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. For a more complete description of the Securities, see “Terms and Conditions of the Securities”.*

<b>Issuer</b> . . . . .	Coastal Emerald Limited (the legal entity identifier (“ <b>LEI</b> ”) of the Issuer is 213800VJW5J633T5WS61).
<b>Company</b> . . . . .	Shandong Hi-Speed Group Co., Ltd. 山東高速集團有限公司.
<b>Securities</b> . . . . .	US\$900,000,000 6.50 per cent. Guaranteed Perpetual Securities (the “ <b>Securities</b> ”).
<b>Guarantee</b> . . . . .	The Company will in the Deed of Guarantee unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Securities (the “ <b>Guarantee of the Securities</b> ”) and under the Trust Deed.
<b>Issue Price</b> . . . . .	100.0 per cent.
<b>Form and Denomination</b> . .	The Securities will be issued in registered form and in the denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof.
<b>Distribution</b> . . . . .	Subject to Condition 4(d) of the Terms and Conditions, the Securities will confer a right to receive distribution (each a “ <b>Distribution</b> ”) from, and including, 30 May 2024 (the “ <b>Issue Date</b> ”) at the Distribution Rate in accordance with Condition 4 of the Terms and Conditions. Subject to Condition 4(d) of the Terms and Conditions, Distribution shall be payable on the Securities semi-annually in arrear on 30 May and 30 November of each year (each, a “ <b>Distribution Payment Date</b> ”), commencing on 30 November 2024.
<b>Distribution Rate</b> . . . . .	Subject to any increase pursuant to Condition 4(e) of the Terms and Conditions, the rate of distribution applicable to the Securities shall be:  (i) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, 30 May 2027 (the “ <b>First Reset Date</b> ”), the Initial Distribution Rate; and  (ii) in respect of the period (A) from, and including, the First Reset Date, to, but excluding, the Reset Date falling immediately after the First Reset Date, and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.

Pursuant to Condition 4(e) of the Terms and Conditions, upon the occurrence of Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent pursuant to Condition 5 of the Terms and Conditions by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date, provided that the maximum aggregate increase in the Distribution Rate shall be 3.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate, as further described in “*Terms and Conditions of the Securities – Distribution – Increase in Distribution Rate following occurrence of certain events*”.

If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 15), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event provided that the maximum aggregate decrease in the Distribution Rate shall be 3.00 per cent. per annum.

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

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

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

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

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

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

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

**Issue Date** . . . . . 30 May 2024.

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

**Status of Securities and Guarantee of the Securities** . . . . . The Securities will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)), unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, other than those preferred by applicable law.

The Guarantee of the Securities will constitute direct, general, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)), unsecured obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, other than those preferred by applicable law.

**NDRC Post-issue Filing** . . . The Company will undertake to:

- (i) file or cause to be filed with the NDRC the requisite information and documents within the timeframes prescribed by the NDRC after the Issue Date in accordance with the Administrative Measures for the Review and Registration of Mid- to Long-Term Foreign Debt of Enterprises (NDRC Order No. 56)(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and which came into effect on 10 February 2023 and any implementation rules as issued by the NDRC from time to time and comply with all applicable PRC laws and regulations (including any implementation rules, laws and regulations as issued by the NDRC from time to time) in relation to the Securities promulgated thereunder from time to time. In particular, the Company shall file or cause to be filed with the NDRC the requisite information and documents to complete the initial post-issue filing in respect of the Securities with the NDRC within 10 PRC Business Days after the Issue Date in accordance with the NDRC Order 56 (the “**NDRC Post-issue Filing**”); and

- (ii) within 10 business days after submission of such NDRC Post-issue Filing provide the Trustee with a certificate in English signed by an Authorised Signatory of the Company confirming the submission of the NDRC Post-issue Filing.

**SAFE Registration . . . . .** The Company will undertake to:

- (i) file or cause to be filed with the Shandong Branch of SAFE, the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 and any implementation rules or guidelines as issued by SAFE from time to time (“**Cross-border Security Registration**”);
- (ii) use all reasonable endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline, and comply with all applicable PRC laws and regulations in relation to the Cross-border Security Registration;
- (iii) on or before the Registration Deadline and within five PRC Business Days after the receipt of the registration record from SAFE or any other document evidencing the completion of registration issued by SAFE, provide the Trustee with (1) copies of the relevant SAFE registration record relating to the Cross-border Security Registration or any other document evidencing the completion of registration issued by SAFE certified in English as a true and complete copy of the original by an Authorised Signatory (as defined in the Trust Deed) of the Company and (2) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Company confirming the completion of the Cross-border Security Registration (the items specified in (1) and (2) together, the “**Registration Documents**”); and
- (iv) procure that within five business days after the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Securityholders confirming the completion of the Cross-Border Security Registration.



**Taxation . . . . .** All payments of principal, premium (if any) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities and/or the Guarantee of the Securities by or on behalf of the Issuer or the Company shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong, the PRC or any jurisdiction in which the Issuer or the Company is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax (each, a “**Relevant Jurisdiction**”), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law.

In the event the Issuer or the Company is required to make such deduction or withholding, the Issuer or the Company, as the case may be, shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Amounts referred to in Condition 7 of the Terms and Conditions shall be payable in respect of any Securities in the limited circumstances as further described therein.

**Redemption at the Option of the Issuer . . . . .** The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Principal Paying Agent and the Holders at their principal amount (together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) (i) on any date from and including 30 April 2027 (being the date that falls one month prior to the First Reset Date) to and including the First Reset Date or (ii) on any Distribution Payment Date after the First Reset Date.

**Redemption for Taxation Reasons . . . . .** The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice to the Holders (in accordance with Condition 15 of the Terms and Conditions), and in writing to the Trustee and the Principal Paying Agent, at their principal amount, together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), in the event of certain changes affecting the taxes of any Relevant Jurisdiction, as further described in Condition 5(c) of the Terms and Conditions.

**Redemption for Change of Control . . . . .** Following the occurrence of a Change of Control, the Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent at a redemption price equal to (i) 101 per cent. of their principal amount together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before 30 April 2027 (being the date that falls one month prior to the First Reset Date); or (ii) their principal amount, together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after 30 April 2027 (being the date that falls one month prior to the First Reset Date), as further described in Condition 5(e) of the Terms and Conditions of the Securities.

**Redemption for Accounting Reasons . . .** The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days’ irrevocable notice (in accordance with Condition 15 of the Terms and Conditions) to the Trustee, the Holders and the Principal Paying Agent at their principal amount together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any changes or amendments to, or a change or amendment to any interpretation of, the Relevant Accounting Standards, the Securities must not or must no longer be recorded as “equity” of the Company or Shandong Hi-Speed Holdings Group Limited (山高控股集團有限公司) pursuant to their respective Relevant Accounting Standards.

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

**Redemption for Minimum Outstanding Amount. . .** The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ irrevocable notice to the Holders (in accordance with Condition 15 of the Terms and Conditions), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled.

<b>Limited rights to institute proceedings . . . . .</b>	No Holder shall be entitled to proceed directly against the Issuer or the Company or to institute proceedings for the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer or the Company as those which the Trustee is entitled to exercise as set out in Condition 8 of the Terms and Conditions.
<b>Proceedings for Winding-Up . . . . .</b>	<p>If (A) there is a Winding-Up of the Issuer or (B) the Issuer shall not make payment in respect of the Securities or under the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Issuer and the Company shall be deemed to be in default under the Trust Deed, the Securities and the Guarantee of the Securities and the Trustee may, subject to the provisions of Condition 8 (d), institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment.</p> <p>Without prejudice to Condition 8(b)(i), if (A) there is a Winding-Up of the Company or (B) the Company shall not make payment in respect of the Guarantee of the Securities or the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Company shall be deemed to be in default under the Trust Deed and the Guarantee of the Securities and the Trustee may, subject to the provisions of Condition 8(d), institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment.</p>
<b>Clearing Systems . . . . .</b>	The Securities will be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depository for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described herein, certificates for Securities will not be issued in exchange for beneficial interests in the Global Certificate.
<b>Security Codes . . . . .</b>	ISIN: XS2824215425 Common Code: 282421542
<b>Governing Law . . . . .</b>	The Securities, the Trust Deed and the Deed of Guarantee will be governed by and will be construed in accordance with the laws of England.
<b>Trustee . . . . .</b>	China CITIC Bank International Limited
<b>Principal Paying Agent, Paying Agent, Registrar and Transfer Agent. . . . .</b>	China CITIC Bank International Limited

**Listing** . . . . . Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST.

The Securities will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

**Ratings** . . . . . Fitch has assigned a corporate rating of “A” with a negative outlook and Moody’s has assigned a corporate rating of “A3” with a stable outlook to the Company. The Securities are expected to be rated “A-” by Fitch and “A3” by Moody’s. Such ratings are only correct as at the date of this Offering Circular. The rating is not a recommendation to buy, sell or hold the Securities or any other securities of the Issuer or the Company and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Use of Proceeds** . . . . . See “*Use of Proceeds*”

**Risk Factors** . . . . . For a discussion of certain factors that should be considered in evaluating an investment in the Securities, see “*Risk Factors*”.

## RISK FACTORS

*An investment in the Securities is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Securities. The following describes some of the significant risks that could affect the Issuer, the Guarantor, the Group and the value of the Securities. Some risks may be unknown to the Issuer, the Guarantor and the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Issuer, the Guarantor and the Group. The market price of the Securities could decline due to any of these risks, and investors may lose part or all of their investment. This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. The Guarantor and the Group may be affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of its business in the PRC.*

*The risks described below are not the only risks that may affect the Group or the Securities. Additional risks and uncertainties of which the Group is not aware or that the Group currently believes are immaterial may also adversely affect the Group's businesses, financial condition and results of operations. If any of the possible events described below occur, the Group's businesses, financial condition and results of operations could be materially and adversely affected. In such case, the Group may not be able to satisfy its obligations under the Securities, and investors could lose all or part of their investment.*

### **RISKS RELATING TO THE GROUP'S BUSINESSES**

**The Group is subject to project development risks and cost overruns, and delays may adversely affect the Group's results of operations.**

There are a number of constructions, financing, operating and other risks associated with project developments in the PRC. Projects of the types undertaken by the Group typically require substantial capital expenditures during the construction phase and usually take many years before they become operational and generate revenue. The time taken and the costs involved in completing construction of projects can be adversely affected by many factors, including shortages of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental policies, approval time and other unforeseen circumstances. Any of these could give rise to delays in the completion of the construction phase and/or cost overruns. Construction delays may result in loss of revenues. Failure to complete construction according to its specifications may result in liabilities, reduced efficiency and lower financial returns. Although the majority of the Group's projects have been completed on schedule, there can be no assurance that this will remain the case or that future infrastructure projects will be completed on time, or at all, and that the completed infrastructure projects will generate satisfactory returns.

**Future growth prospects of the Group will be affected by its ability to develop new projects successfully.**

The future growth prospects of the Group will depend to some extent upon its ability to develop future projects. The development of future projects could be affected by many factors, including general political and economic conditions in the PRC, prevailing interest rates, construction costs and the cost and availability of necessary land or land use rights. The Group's capability to develop future projects will depend, among others, on its ability to obtain relevant government approvals, to reach agreement with potential joint venture partners on satisfactory commercial and technical terms and to enter into binding contracts with such parties, and to obtain external financing to fund the construction costs of projects. While the Group is experienced in conducting such negotiations, there can be no assurance that any particular project will be successful. Each project will also require specific government consents and

approvals as part of the development process, and there can be no assurance that such government approvals can be obtained. Also, there can also be no assurance that the Group's future projects will be conducted on terms that are equivalent to or as favourable as the Group's existing projects. Failure to develop new projects may materially and adversely affect the Group's growth prospects.

**The Group's business, financial condition and results of operations are dependent on the level of economic activity in Shandong province.**

A substantial proportion of the Group's businesses and assets are located in the Shandong region. Accordingly, the Group's business, financial condition and results of operations have been and will continue to be dependent on the level of economic activity in Shandong province. Shandong province has undergone a period of rapid economic development in recent years. According to Shandong Provincial Bureau of Statistics, from 2021 to 2023, the regional gross domestic product ("GDP") of Shandong province reached approximately RMB8,309.59 billion, RMB8,743.51 billion and RMB9,206.87 billion, representing a growth rate of approximately 8.3 per cent, 3.9 per cent. and 6.0 per cent., respectively, on a year-on-year basis. These developments have greatly benefited the Group and have enabled the Group to grow at a rapid pace. However, there can be no assurance that the level of economic activity in Shandong province will continue to grow at the pace that it has achieved in the past, or at all. In the event of any slow-down in growth or any unfavourable developments, the Group's business, financial condition and results of operations may be materially and adversely affected.

**The performance of the Group's business is dependent on future economic growth in the PRC and globally and adverse economic conditions would negatively affect the Group's business.**

The growth of the Group's business is largely dependent upon the continuation of economic development and growth in the PRC, which will increase demand for expressways, railways, construction, trading and financial services. The PRC has been one of the world's fastest growing economies as measured by GDP growth in the past four decades and has become the world's second largest economy by gross GDP since 2010. However, there is no assurance that such historical growth rates will continue. The PRC's GDP growth fluctuated in recent years. According to National Bureau of Statistics of China, the PRC's GDP growth was 8.4 per cent., 3.0 per cent. and 5.2 per cent., respectively, from 2021 to 2023. A sustained period of slower growth in the PRC in general could have a material and adverse effect on the financial condition and operating results of the Group, as well as on its prospects to identify, invest in and develop new projects and businesses.

In addition, the Group's business, financial position and operating results, as well as its future prospects may be affected by general global economic conditions. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The United Kingdom's exit from the European Union has resulted in volatility in global financial markets, and it is expected to create mid-to long-term economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. The rise in tension between the PRC and the United States, Australia, and certain European countries may also increase market volatility, in particular as a result of the U.S.-China trade dispute. In July 2020, the United States imposed sanctions on certain Chinese companies from purchasing U.S. technology and products without a special license. In August 2020, the United States further determined that certain Chinese companies are allegedly owned or controlled by the Chinese military. In 2022, the tension between the United States and the PRC continues to rise. It remains unclear whether the United States will impose further sanctions on more Chinese companies in the future. These prospective protective measures may hamper the economic stability of the PRC. Increasing trade tensions between the United States and certain major nations, the future policies of the United States government, the fluctuation of the U.S. dollar against major currencies around the world and the continuing geopolitical tensions create uncertainties in the world economy and global financial market.

In addition, the conflict between Russia and Ukraine, the Israel-Palestinian conflict and the sanctions imposed by governments in response could also lead to disruption, instability and volatility in global markets and industries and could adversely impact macroeconomic conditions and give rise to regional instability. As a result, the global economy is facing significant uncertainties, and the global financial markets are experiencing significant volatilities.

Further, the novel coronavirus in 2019 (“**COVID-19**”) pandemic resulted in a number of countries declaring a state of emergency and a number of countries, including the PRC, Japan, the United States, members of the European Union and the United Kingdom, imposing extensive business and travel restrictions with a view to containing the pandemic. Widespread reductions in consumption, industrial production and business activities arising from the COVID-19 pandemic once had significantly disrupted the global economy and global markets and were likely to result in a global economic recession. The COVID-19 pandemic had led to significant volatility in the global markets across all asset classes, including stocks, bonds, oil and other commodities.

Moreover, central banks of some countries, including the Federal Reserve Board of Governors of the United States, have also accelerated their shifts in monetary policies and increased interest rates. There can be no assurance that monetary and fiscal policy measures adopted by central banks or national governments will have the intended effects or that a global economic downturn will not occur or market volatilities will not persist.

In early 2023, the global financial markets have experienced further turmoil with the collapse of Silicon Valley Bank, followed by Signature Bank and First Republic Bank and the crisis of Credit Suisse, which has resulted in greater uncertainty in the global macroeconomic environment.

The outlook for the global economy and financial markets remains uncertain. Instability in the global economy may materially and adversely affect the markets in which the Group operates, which may lead to a decline in the general demand for the Group’s services and products. If economic conditions were to worsen or if the economic recovery fails to continue or if an economic slowdown were to return, the Group may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding and, in addition, there can be no assurance that the Group will be able to raise finance at a reasonable cost, or at all. Therefore, instability in the global economy may materially and adversely affect the Group’s business, financial condition and results of operations.

**The Group’s businesses may require substantial capital investment.**

The Group’s key businesses include expressway, railway and construction, all of which require intensive capital investment during the construction period and high capital expenditures. The Group will require additional financing to fund capital expenditures, to support the future growth of its business and/or to refinance existing debt obligations. The Group’s businesses may require substantial capital investment, particularly for the acquisition, development and expansion of transportation infrastructure projects. As at 31 December 2023, the Group had a total investment amount of approximately RMB9.04 billion in expressways currently under construction and expressway construction projects in pipeline. For the years ended 31 December 2021, 2022 and 2023, the Group recorded net cash outflows in investment activities of approximately RMB107.81 billion, RMB89.91 billion and RMB102.11 billion, respectively.

The Group has historically required and expects that in the future it will continue to rely on external financing to fund its capital expenditures. The Group’s ability to arrange external financing and the cost of such financing are dependent on numerous factors, including global economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group’s businesses, obtaining the necessary PRC governmental approvals to raise financing for projects, changes in the monetary policy of the PRC government with respect to bank interest rates and lending policies and the political and economic conditions in the PRC generally. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made

available or, if available, that such financing will be obtained on terms favourable to the Group. Failure to obtain the necessary financing may have a material and adverse effect on the Group's business, financial position and results of operations.

In addition, the ownership and/or use of rights in respect of certain assets of the Group are restricted pursuant to certain pledges and guarantee arrangements in favour of certain lenders of the Group. If there occurs any default under the relevant loans or guarantees, the lenders may choose to take action to enforce their rights under the pledge contracts or guarantee arrangements. In such circumstances, the Group may lose control over the relevant assets that are the subject of the enforcement action, which may adversely affect the business, financial condition and results of operations of the Group.

**The Group's business may be affected by fluctuations in interest rates and the general availability of credit.**

The Group is exposed to interest rate risk resulting from fluctuations in interest rates payable on its debt and changes in interest rates will also affect its finance expenses and, ultimately, its results of operations. As the Group relies to a large extent on external financing to secure investment capital to finance the expansion of its various business segments, the Group is sensitive to the cost of capital in securing these loans (a substantial portion of which are based on floating rates of interest). If the People's Bank of China ("PBOC") were to raise benchmark lending rates, the Group's finance expenses will increase, which may have a material and adverse effect on the Group's business, financial condition and results of operations.

The Group has substantial bank loans and most of them bear interests that accrue at rates linked to loan prime rates ("LPR") published by the PBOC. A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under such bank loans and in turn negatively affect the Group's financing costs and results of operations.

From time to time, the PBOC adjusts interest rates as implementation of its economic and monetary policies. In recent years, a perceivable slowdown in the growth of the economy of the PRC caused the PRC government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since November 2014, PBOC has reduced the benchmark one-year lending rate six times in less than one year to 4.35 per cent. With effect from 26 August 2015, the PBOC removed the cap on the interest rates on RMB-denominated time deposits with tenors of longer than one year, while the cap on the interest rates on RMB-denominated demand deposits and time deposits with tenors up to one year remain unchanged. With effect from 24 October 2015, the PBOC ceased to set upper limits of RMB-denominated deposit interest rates for commercial banks and rural cooperative financial institutions. On the other hand, the PBOC continues to liberalise the restrictions on interest rates for loans. For example, on 20 July 2013, the PBOC eliminated the minimum interest rate requirements for RMB-denominated loans. Since 20 August 2020, the ceiling on private lending interest rate has been significantly lowered to four times LPR which is currently 13.8 per cent., from the previous ceiling, which was set between 24 per cent. and 36 per cent.

For the years ended 31 December 2021, 2022 and 2023, the Group incurred interest expenses of approximately RMB13,388.3 million, RMB14,268.4 million and RMB17,127.3 million, respectively. Although the Group's financial condition and results of operations may benefit from a low-interest rate environment, there is no assurance that this environment will continue. In particular, any increase in the benchmark lending rate by PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

**The Group may not be able to expand its business effectively through acquisitions, investments, joint ventures and new business lines.**

The Group's business strategy includes selective acquisition of new assets or businesses, entering into new strategic alliances and joint ventures and investing in or entering into new business lines across the PRC with a particular focus on the expansion of its businesses along the region of the Belt and Road



Initiatives. For example, with a view to further diversifying the Group's business portfolio by expanding into the clean energy business, in March 2022, Shandong Hi-Speed Holdings Group Limited (山高控股集團有限公司) (HKSE Stock Code 0412) (“SDHG”) and Beijing Enterprises Clean Energy Group Limited (“BECE”) jointly announced that Profit Plan Global Investment Limited, an indirect wholly-owned subsidiary of SDHG, had entered into a subscription agreement with BECE, to subscribe for, 48,804,039,247 new ordinary shares of BECE (the “Subscription”), which was completed on 19 May 2022. After completion of the Subscription, SDHG became the largest and controlling shareholder of BECE (BECE was renamed as Shandong Hi-Speed New Energy Group Ltd. (山高新能源集團有限公司) (“SHNE”) in August 2022). While the Group believes that the Subscription has provided the Group with effective and efficient access to the renewable and clean energy market in the PRC, there is no assurance that the Group will be able to effectively manage the acquired business to achieve an appropriate financial return. There is also no assurance that the anticipated benefits arising from the Subscription will materialise within anticipated time frames or at all. For instance, the Subscription may fail to diversify the Group's business offerings or enhance the Group's future earnings as expected, which could adversely impact the Group's business, financial condition, results of operations or prospects.

The Group's ability to achieve and benefit from such acquisitions, investments, alliances and joint ventures will depend upon a number of factors, some of which are beyond its control. These factors include, but are not limited to, the Group's ability to maintain, expand or develop its customer relationships; identify assets or businesses for acquisition, investments, joint ventures or alliances that suit its development strategy; execute the acquisition or complete the investments within the timeframe or budget anticipated or integrate any business it acquires; identify additional new markets; work with its joint venture partners or other shareholders; and train and retain qualified personnel to manage and operate its growing business and any new business lines. There can be no assurance that all or any of the proposed acquisitions, investments, joint ventures or alliances will be consummated on commercially acceptable terms, if at all. In addition, such expansion will require the Group to continuously upgrade and improve its risk management controls and systems. The failure to manage any of these factors effectively may have a material and adverse effect on the Group's business, financial position and results of operations.

Further, business growth could place a significant strain on the Group's managerial, operational and financial resources. Integrating new assets or businesses into the Group's operational framework and ensuring their proper management may involve unanticipated delays, costs and operational problems, in particular with respect to business lines in which the Group has not had extensive experience. The Group may encounter difficulties in realising anticipated synergies. The Group may encounter unexpected problems or have disagreements or conflicting interests with its joint venture or alliance partners or the other shareholders of its acquisitions. As a result, the Group may be unable to derive profit from such acquired businesses. Any such problems may impair the Group's competitiveness or growth prospect and materially and adversely impact the Group's business, financial condition and results of operations. Further, with respect to some joint ventures or equity investments in which the Group only holds a minority stake, the Group may not have any board representation or veto power. In case of disagreements with the Group's partners, management may be required to divert attention away from other aspects of its businesses to address these disagreements. Acquisitions also pose the risk that the Group may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence that the Group conducts in connection with an acquisition may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that it receives from the sellers of acquired companies may not be sufficient to protect it from, or compensate it for, actual liabilities. A material liability associated with an acquisition could adversely affect the Group's reputation and reduce the benefits of the acquisition and may have a material and adverse effect on the Group's business, financial position and results of operations.

**The Group's corporate structure, which consists of a large number of companies operating in multiple business lines, exposes it to risks and challenges not found in companies with a single business line. The Group may also not successfully manage its diversification strategy.**

The Group consists of a large number of subsidiaries operating in multiple industries. Due to the diverse lines of businesses in which the Guarantor's subsidiaries operate, the Group is exposed to risks and challenges not found in companies with a single business line. In particular, the Group is exposed to business, market and regulatory risks relating to the various industries that it operates in. The Group needs to devote substantial resources to monitor changes in different operating environments so that it can react with appropriate strategies and solutions that can accommodate the needs of the affected subsidiaries.

As the Group continues to grow and diversify into new industries, it will have to continue to improve its managerial, technical, operational and other resources, and to implement an effective management and internal control system that emphasises proper authorisations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on its subsidiaries. As the Group continues to grow in an increasing number of different industries, its operations will become more widespread and complex, which will create challenges and increase the difficulty of implementing the Group's management and internal control system. In particular, it will become increasingly difficult for the Group to directly monitor the day-to-day operations of its businesses and to prevent and detect fraud and protect the Group's assets, both physical and intangible. Also, in order to fund the Group's ongoing and new operations, the Group requires sufficient internal liquidity or access to additional financing from external sources. Further, the Group will be required to manage its relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties.

Moreover, as one or more of its subsidiaries or joint venture companies, such as SHCL (Shanghai Stock Exchange stock code: 600350), Shandong Hi-Speed Road & Bridge Co., Ltd (山東高速路橋集團股份有限公司) (“**Shandong Road & Bridge**”) (Shenzhen Stock Exchange stock code: 000498), SDHG (Hong Kong Stock Exchange stock code: 0412), WCC Bank (Hong Kong Stock Exchange stock code: 09677), Qilu Expressway Company Limited (齊魯高速公路股份有限公司) (Hong Kong Stock Exchange stock code: 1576) and SHNE (formerly known as BECE) (Hong Kong Stock Exchange stock code: 1250) is or may in the future become listed companies in the PRC or on other stock exchanges, any transfer of funds into or out of these companies will be subject to various regulatory restrictions. Intra-group transactions may also be subject to applicable listing requirements, such as the issuance of announcements, the obtaining of independent shareholders' approval at general meetings and disclosure in annual reports and accounts. Therefore, subsidiaries with funding needs may not be able to obtain financial support from the Group in a timely manner, or at all.

There can be no assurance that the Group will not experience issues such as capacity and capital constraints, construction delays, operational difficulties at new facilities or difficulties in upgrading or expanding existing facilities and training an increasing number of personnel to manage and operate those facilities. Any failure of the Group to implement its expansion plans in a timely manner could have a material and adverse effect on the Group's business, financial position and operating results, as well as the Group's future prospects.

**The Issuer has limited material assets and revenue and will need to rely on cash flows from other Group members to service its obligations under the Securities.**

As at the date of this Offering Circular, the Issuer is a special purpose finance vehicle which does not have operating activities or revenue and therefore depend upon the receipt of sufficient funds from other members of the Group to meet its obligations under the Securities. The Group conducts its operations primarily through its subsidiaries in the PRC. The Issuer's primary assets will be intragroup loans from the Group. Accordingly, the Issuer's ability to pay principal and interests on the Securities will depend upon its receipt of principal and interest payments on the intragroup loans from such subsidiaries and the ability of the Guarantor to honour its obligations under the Guarantee of the Securities. In the event

that the recipients of such intragroup loans do not make such payments due to limitation in such loans or other agreements, lack of available cash flow or other factors, the Issuer's ability to make payments under the Securities may be adversely affected. For more details about the Issuer, please refer to the section entitled "*Description of the Issuer*".

**The Group has certain uninsured risks.**

The Group maintains insurance policies covering both its assets and employees in line with general business practices in the PRC in the relevant industries, with policy specifications and insured limits which the Group believes are adequate and in line with industry practice. Risks insured include fire, flooding, other material damage to property and public liability. There are, however, certain types of losses (such as losses arising from wars, acts of terrorism, pandemic or acts of God) that are generally not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the property, as well as anticipated future revenue and, in the case of debt that is with recourse to the Group, the Group may remain liable for financial obligations related to the relevant property. Any such loss could materially and adversely affect the results of operations and financial condition of the Group.

**The Group may be unable to comply with all relevant laws and regulations in the PRC relating to the development, construction and operation of its business projects.**

The Group's projects are subject to strict PRC laws and regulations relating to their development, construction, licensing and operation. These laws and regulations relate to, among other things, project approval and other government approval and licensing requirements for building, operation and construction of new projects, landscape conservation and environmental conservation.

In particular, before the Group constructs and operates its various projects, the Group must first obtain operational and construction permits from various authorities. Procedures for granting operational and construction permits vary among local areas and certain provinces may reject requests for permits for a variety of reasons. After the projects are completed, the Group is also required to complete certain acceptance checks with the relevant governmental authority. The Group is now in the process of obtaining approvals or permits for certain construction projects. Furthermore, operational and construction permits granted successfully to the Group in some provinces may be subject to challenge by third parties. Finally, the Group must comply with the relevant laws and regulations and the conditions imposed in the operational and construction permits, and there can be no assurance that the Group will be able to do so, which may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licences or permits. These factors could have a material and adverse effect on the Group's business, financial condition or results of operations.

**The Group may incur additional costs to comply with environmental laws should the PRC government adopt more stringent environmental laws and standards.**

In the PRC, environmental protection is governed by the PRC Environmental Protection Law (《中華人民共和國環境保護法》) and a number of related laws and regulations covering areas including soil pollution, air pollution, air quality, water and ocean pollution, noise pollution and hazardous substances. Local governments are encouraged to supplement the central government's regulations with local regulations and standards to suit the local situations. Although these laws and regulations relate principally to pollution and hazardous substances, the Group's core business segments may still have an impact on the natural environment due to the construction and presence of expressways, railways, ports, logistics parks and other large-scale works relating to their maintenance and repair. For example, during the expressway construction period, land adjacent to the expressway is acquired to carry out large-scale operations, such as excavation, earth filling and waste disposal by landfill. These operations may have a negative impact on the land, rivers and vegetation surrounding the expressway. Vehicles travelling on the expressway can also emit gas pollutants and create noise pollution, contributing to the environmental pollution.

In particular, under PRC laws and regulations, the Group's projects are required to undergo environmental assessments and the Group is required to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. The PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) was amended on 29 December 2018 to include harsher punishment for non-compliance. If a construction project has not submitted an environmental impact assessment report or an environmental impact analysis table or has not obtained approval from the relevant government authorities before commencement of construction, the ecological environment department at the county level or above shall order the construction entity to stop the construction at first, a fine equal to 1 per cent. to 5 per cent. of the total investment amount of the project, and an order to restore the land to its original condition could be imposed, and the person-in-charge and responsible personnel of the construction project shall be liable to administrative sanctions in accordance with laws. As far as the Group is aware, the Group has passed or is in the process of the environment impact assessments for the construction projects, but there can be no assurance that such laws and regulations regulating environmental protection will not change in the future or that the PRC government will not adopt more stringent environmental laws and regulations. The Group may be unable to comply with any additional requirements implemented in the future on a cost-effective basis, if at all, which could have a material and adverse effect on the Group's business, financial condition or results of operations. There can also be no assurance that its sub-contractors will not violate any environmental laws and regulations in their operations that may be attributed to the Group.

In addition, the PRC government is moving towards a more rigorous enforcement of applicable environmental laws and regulations and the adoption of more stringent environmental standards. The future imposition of stricter environmental legislation could have a material and adverse effect on the Group's business, financial conditions and results of operations.

**The Group may be subject to legal, litigation and regulatory proceedings.**

The Group may be involved, from time to time, in legal proceedings arising in the ordinary course of its operations. Please see “*Description of the Group – Legal, Compliance and Proceedings*” for further information. Litigation arising from any failure, injury or damage from the Group's operations may result in the relevant member of the Group being named as defendant in lawsuits asserting large claims against such member of the Group or subject such member of the Group to significant regulatory penalties. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for a substantial period of time. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other sanctions adverse to the Group's reputation, financial condition and results of operations. Even if the Group is successful in defending against these actions, the costs associated with the Group's defence may be significant. When the market experiences a downturn, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, senior management or key employees, would materially and adversely affect the Group's liquidity, business, financial condition, reputation, results of operations and prospects.

In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that result in liabilities. Also, in the event that the Group makes any other investments or acquisitions in the future, there can be no assurance that the Group would not have any exposure to any litigation or arbitration proceedings or other liabilities relating to the acquired businesses or entities.

**The Group faces strong competition from domestic and international companies operating in similar industries.**

The Group's expressways, railways, construction, trading and financial services businesses compete with both domestic and international companies operating in similar industries. Some of these companies have significant financial resources, marketing and other capabilities. In the PRC, some of the domestic

companies may have more extensive local knowledge and business relationships and a longer operational track record in the domestic market than the Group. The international companies are able to capitalise on their overseas experience to compete in the PRC and overseas markets. As a result, there can be no assurance that the Group will be able to compete successfully in the future against its existing or potential competitors or that the business, financial condition and results of operations will not be materially and adversely affected by increased competition.

**The Group's international operations are subject to various business, economic, political, regulatory and legal risks.**

One of the Group's current strategies includes expansion into overseas markets such as Serbia, Bosnia, Mozambique, Morocco, Uganda, Chad, Algeria, Pakistan, Ethiopia, Bangladesh, Montenegro, Tanzania, Egypt, Thailand, Colombia, Panama, Israel and Vietnam. The implementation of this strategy could result in the Group being affected by, among other things, economic and political conditions in foreign countries, including the imposition of government controls, political and economic instability, trade restrictions, changes in tariffs, laws and policies affecting trade and investment, lack of development of local infrastructure, labour unrest and difficulties in staffing, coordinating communications and managing international operations, fluctuations in currency exchange rates and earnings, expatriation restrictions, difficulties in obtaining export licences and misappropriation of intellectual property.

The U.S. Department of the Treasury's Office of Foreign Asset Control ("OFAC") is the principal U.S. government agency charged with administering and enforcing U.S. economic sanctions programmes. These economic sanctions, as administered by OFAC, generally apply to U.S. entities and, in certain cases, to foreign affiliates of U.S. entities, or to transactions that involve, in some manner, U.S. products or otherwise come within the jurisdiction of the United States. Other governments and international or regional organisations also administer similar economic sanctions. If any Group entity or any of the Group's customers engages in any prohibited transactions by any means, such entity or customer, as the case may be, could be subject to penalties. If any Group member is determined to be in violation of any OFAC-administered or other sanctions regulations, there could be a material and adverse impact on the Group's business, financial condition and results of operations. There may be sanctions imposed by certain countries against countries in which the Group conducts businesses and/or where the counterparties to transactions are based. For example, in late February 2022, following Russia's invasion of Ukraine, the United States and other countries have developed and continue to develop coordinated sanctions and export-control measure packages against Russia and have, among other things, removed a number of Russian banks from the SWIFT system, and wider sanctions could be imposed should the conflict further escalate. The uncertain nature, magnitude and duration of Russia's war in Ukraine and actions taken by Western and other states and multinational organisations in response thereto, including, amongst other things, the potential effects of sanctions, export-control measures, travel bans and asset seizures, as well as any Russian retaliatory actions, including, amongst other things, restrictions on oil and gas exports and cyber-attacks, on the world economy and markets, have contributed to increased market volatility and uncertainty. The Group's operations of the Ukrainian section of the China-Europe Railway Express has been suspended due to the impact of the Russian-Ukraine conflicts. Such geopolitical risks may have a material adverse impact on macroeconomic factors which affect the Group's business, results of operations, cash flows, financial condition and prospects.

The Group has, or in the past had, business dealings in sanctioned countries and countries with high risks such as Sudan, South Sudan, Iraq and Democratic Republic of the Congo, Chad, Niger, Serbia, Bosnia and Herzegovina and Guinea mainly in connection with the provision of oilfield maintenances services and construction of infrastructure projects through its subsidiaries. For the years ended 31 December 2021, 2022 and 2023, the Group's operating revenue attributable to such business operations in all sanctioned countries and countries with high risk was less than 2.0 per cent. of the Group's consolidated operating revenue of the relevant years.

Expansion in international markets may place a significant strain on the Group's management, operational and financial resources. There can be no assurance that the Group's existing or future management, operational and financial systems, procedures and controls will be adequate to support its future operations or that the Group will be able to recruit, retain and motivate its personnel or establish or develop business relationships beneficial to their future operations. If the Group cannot successfully manage the risks and challenges generally associated with multinational operations, it may have to dedicate resources to resolve issues arising from its future international operations at the expense of its current operations, which could have a material and adverse effect on the Group's business, financial position and operating results, as well as the Group's future prospects.

Individual countries may also have particular risks, such as slow or negative growth, high inflation, significant currency devaluations or limited availability of foreign exchange. Furthermore, in countries such as the PRC, governmental authorities exercise significant influence over many aspects of the economy and their actions could have a significant effect on the Group's international operations.

**Changes in the government's favourable policies could affect the Group's business, financial condition and results of operations.**

The Group currently derives certain benefits or concessions from the Guarantor being a state-owned enterprise. There can be no assurance that the benefits or concessions provided by the PRC government will remain effective and will not change in the future. If such benefits or concessions offered to the Group are abolished or materially reduced, the performance of the Group's business, financial condition and results of operations in the PRC could be materially and adversely affected.

**The Group's high level of indebtedness may adversely affect its future strategy and operations.**

As at 31 December 2021, 2022 and 2023, on a consolidated basis, the Group's total bank and other borrowings amounted to approximately RMB464.6 billion, RMB562.1 billion and RMB608.5 billion, respectively, consisting of the current portion of approximately RMB80.4 billion, RMB146.3 billion and RMB104.1 billion, respectively, and the non-current portion of approximately RMB384.2 billion, RMB415.8 billion and RMB504.4 billion, respectively. As at 31 December 2021, 2022 and 2023, the Group's shareholders' equity amounted to approximately RMB293.5 billion, RMB336.9 billion and RMB385.8 billion, respectively. The gearing ratio (total bank and other borrowings to shareholder's equity) as at 31 December 2021, 2022 and 2023 was approximately 1.5, 1.7 and 1.8, respectively; its debt to asset ratio was approximately 74.25 per cent., 74.53 per cent. and 74.51 per cent., respectively. The Group recorded high level of indebtedness primarily due to the nature of its key businesses which requires intensive and continuous investment, which in turn results in the increase in bank borrowings and bond financing.

The Group's high level of indebtedness may adversely affect the Group's future strategy and operations in a number of ways, including:

- The debt service requirements will reduce the funds available to the Group for other purposes;
- The Group's ability to obtain adequate financing for working capital and capital expenditures for its projects on terms which will enable such projects to achieve a reasonable return to the Group may be limited; and
- The Group's high level of leverage may hinder its ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that the Group's level of indebtedness will not materially and adversely affect the Group's ability to finance its future operations or capital needs, successfully operate its business, engage in other business activities or pay dividends.

In addition, as at 31 December 2023, the value of the Group's assets subject to security, pledge or other restrictions on ownership or use amounted to approximately RMB222.2 billion, representing approximately 14.7 per cent. of the Group's total assets as at 31 December 2023. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Group is unable to service and repay its debts on a timely basis under which the restrictions were created, these restrictive assets may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

**The Group's significant accounts receivable, other accounts receivable and long-term accounts receivable may adversely affect its future liquidity.**

As at 31 December 2021, 2022 and 2023, the Group's accounts receivable was approximately RMB15,806.9 million, RMB24,517.8 million and RMB30,789.3 million, respectively, representing approximately 1.4 per cent., 1.9 per cent. and 2.0 per cent. of its total assets, respectively. As at 31 December 2021, 2022 and 2023, the Group's other accounts receivable was approximately RMB21.8 billion, RMB27.4 billion and RMB25.6 billion, respectively, representing approximately 1.9 per cent., 2.1 per cent. and 1.7 per cent. of its total assets, respectively. As at 31 December 2021, 2022 and 2023, the Group's long-term accounts receivable was approximately RMB38.5 billion, RMB49.0 billion and RMB50.6 billion, respectively, representing approximately 3.4 per cent., 3.7 per cent. and 3.3 per cent. of the Group's total assets, respectively. Most of the Group's accounts receivable and other receivable are receivables from the Group's construction and trading business, including receivables from project payments and quality assurance deposits from construction project owners, and other related funds. Other receivables mainly include receivables from intercompany transactions, highway toll unbundling charges.

There are risks associated with the Group's debtor's ability to make timely payments and their failure to make timely payments could materially and adversely affect the Group's liquidity and in turn affect its business, financial condition and results of operation.

**Fluctuations in the Group's investment income may adversely affect its results of operation and financial condition.**

For the years ended 31 December 2021, 2022 and 2023, the operating profit of the Group amounted to approximately RMB15.7 billion, RMB15.6 billion and RMB16.5 billion, respectively; the investment income of the Group amounted to approximately RMB5.4 billion, RMB7.7 billion and RMB7.1 billion, respectively, representing approximately 34.7 per cent., 49.6 per cent. and 43.1 per cent., respectively, of the Group's operating profit for the same periods. As the Group's operating profit is dependent on its investment income, fluctuations in investment income may adversely affect the Group's results of operation and financial condition.

**The Group recorded net current liabilities in the past.**

As at 31 December 2021, 2022 and 2023, the Group recorded net current liabilities of approximately RMB227.0 billion, RMB294.1 billion and RMB335.6 billion, respectively, representing a current ratio (current assets divided by current liabilities) of approximately 0.48, 0.45 and 0.45, respectively, primarily due to the inherent low ratio of current assets in the industries in which the Group operates, such as expressway. As at the date of this Offering Circular, the Guarantor does not foresee difficulties in meeting its current liabilities. However, there are risks associated with the Group's ability to maintain short-term liquidity, which could in turn have a material adverse effect on its business, financial condition and results of operation.

**The value of the Group's inventory may decline.**

The Group carries a significant amount of inventory due to the holding of large amounts of temporary inventory and property-for-sale for its trading and sales businesses. As at 31 December 2021, 2022 and 2023, the balance of the Group's inventory amounted to approximately RMB19.5 billion, RMB18.5

billion and RMB20.0 billion, respectively, primarily consisting of raw materials, semi-finished products and merchandise inventory. In the event that the value of inventory decreases, the Group may suffer losses causing a materially adverse effect on the Group's profitability and results of operation.

**The Group's businesses may be materially and adversely affected if the Group fails to maintain risk management and internal control systems or these systems are proven to be ineffective or inadequate.**

Certain areas within the Group's risk management and internal control systems may require constant monitoring, maintenance and continual improvements by the Group's senior management and staff. The Group's business and prospects may be materially and adversely affected if the Group's effort to maintain these systems are proven to be ineffective or inadequate. Deficiencies in the Group's risk management and internal control systems and procedures may adversely affect the Group's ability to record, process, summarise and report financial and other data in an accurate and timely manner, as well as adversely impact the Group's ability to identify any reporting errors and non-compliance with rules and regulations.

The Group's internal control systems may contain inherent limitations caused by employee errors or fault. As a result, there is no assurance that the Group's risk management and internal control systems are adequate or effective, notwithstanding the Group's efforts, and any failure to address any internal control matters and other deficiencies could result in investigations and disciplinary actions or even prosecution being initiated against the Group or its employees, disruption to the Group's risk management system, and a material adverse effect on the Group's financial condition and results of operations.

**The Group may be engaged in public interest projects which may have a material adverse effect on the Group's financial condition and results of operations.**

The Guarantor is jointly owned by SSASAC, Shandong Caixin and Shandong Guohui, with SSASAC holding a 70 per cent. shareholding in the Guarantor. As a state-owned enterprise, it may be required to engage and participate in projects which are motivated by public interests and social welfare development. Such projects may not be commercially viable and the Group may not be able to recover its investment or achieve financial returns in a commercially desirable timeframe, or at all. The Group has received financial allocation or asset injection, in the form of land use rights, cash or other assets, and may receive other financial support from the government for such government sponsored projects. However, such financial support may not always be available due to the government's liquidity, budgeting priority and other considerations. In addition, such financial support may not be sufficient to cover the Group's investment. Furthermore, the Group has limited resources, and engagement in such projects may reduce its ability to participate in other profit-generating projects.

As at 31 December 2023, some of the Group's subsidiaries have been involved in various government projects and may continue to participate in such projects from time to time in the future. There can be no assurance that the Group's results of operations, business and financial condition will not be adversely affected as a result.

**The Group may fail to successfully manage the assets, projects and subsidiaries in which the Group does not have majority interests, or the Group's relationships with its business partners.**

The Group may not be able to execute successfully or fully the Group's business strategies with respect to assets, projects or subsidiaries in which the Group does not have control over. For such companies, co-operation and agreement between the Group and its business partners are important factors for the smooth operation and financial success of the projects. The Group's business partners may (i) have economic or business interests or goals that are inconsistent with those of the Group; (ii) be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements; or (iii) experience financial or other difficulties. Although the Group has not to date experience any significant problems with its partners, no assurance can be given that disputes among its partners will not arise in



the future that could adversely affect such assets, projects or subsidiaries. Furthermore, in the event that the Group cannot agree with other shareholders on management decisions, this may result in a deadlock and may impede the further development of the relevant business in that this may delay or prevent critical decisions. In addition, the Group's role as non-controlling shareholder in these companies may also have an adverse impact on the Group's return on investment, as management or other shareholders of these companies might institute or undertake transactions, strategies, policies or programmes that result in a decrease in the value of these companies, and by consequence, the Group's return on investment. In addition, the Group's results of operations could be materially and adversely affected if it takes any significant impairment charge on its investments in any such entity where such entity fails to perform financially as expected or otherwise.

**The Group contracts with government customers and derives substantial revenue from contracts with governmental agencies and entities.**

Many of the Group's customers are agencies or entities owned or otherwise controlled by governments. To the extent that the Group's projects are funded by any government, they may be subject to delays or changes as a result of the changes in budgets or for other policy considerations. Any government spending on infrastructure and other construction projects has historically been, and will continue to be, vulnerable to fluctuations in economic conditions and policies. In particular, the PRC government's public policies and other economic measures may impact the Group's infrastructure construction by restricting and reducing opportunities for infrastructure construction projects. New policies implemented by the PRC government will be expected to be refined over time. Other political, economic and social factors may also lead to further adjustments and changes of such policies. The PRC government may adopt more stringent policies and tighten regulations in the future.

In some circumstances, agencies or entities owned or otherwise controlled by governments may also require the Group to change its construction methods, equipment or other performance terms or direct the Group to reconfigure its designs or purchase specific equipment for the relevant project in connection with its engineering and construction projects or undertake additional obligations or change other contractual terms, thereby subjecting the Group to additional costs. Resolution of any dispute with respect to such changes may be time consuming and incur additional costs for the Group. Changes in governmental budgets and policies and other factors relating to the Group's projects could also result in delays in project commencement or completion, adverse changes to such projects or a withholding of, or delay in, payment to the Group. If a government entity or other public organisation terminates a contract with the Group, the Group's order book could be reduced, and its business operations, financial position and results of operation may be materially and adversely affected.

The Group therefore has significant exposure to the risks associated with contracting with public organisations. In addition, any disputes with governmental entities and other public organisations could potentially lead to contract termination if unresolved or may take a considerably longer period of time to resolve than disputes with counterparties in the private sector, and payments due to the Group from these governmental entities and other public organisations may be delayed as result. Such entities and organisations may also attempt to assert sovereign immunity as a defence to any claim the Group may make against them.

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

There have been a number of publicised cases involving fraud or other misconduct by employees or other third parties in connection with companies in China in recent years. Fraud and other misconduct by employees or third parties may be difficult to detect and prevent and could subject the Group to financial losses and sanctions imposed by governmental authorities or could seriously harm the Group's reputation. Any failure by executive officers, current or former employees, key shareholders and other agents to fully adhere to the PRC or other applicable laws (including, but not limited to, anti-corruption laws), or any allegation or investigation by any governmental or regulatory authority for such breaches

could also materially and adversely affect the Group's reputation and its business, financial condition and results of operations. A long and public regulatory investigation or judicial process may result in negative publicity and media speculation and have an adverse effect on the reputation of the Group. There is a risk that these matters could result in volatility in the price of the Group's outstanding debt securities, as well as potentially taking up a significant amount of management time and diverting management attention from the business of the Group.

**The Group may be subject to risks related to epidemics, acts of terrorism, wars, or other natural or man-made calamities globally.**

A recurrence of Ebola virus disease, Severe Acute Respiratory Syndrome, or other epidemic diseases such as H5N1 bird flu, H1N1 swine flu, Type A H1N1 influenza or Middle East Respiratory Syndrome and the COVID-19 pandemic, especially in the areas where the Group operates, may result in widespread health crises and restrict business activities in the affected areas, which may in turn cause material disruptions to the Group's businesses. For businesses involving transportation means, such as the Group's expressway and railway businesses, an outbreak of epidemic diseases could materially and adversely affect the passenger demand for travel to affected regions. Similarly, the lack of travel demand or the inability of lines to operate to or from certain regions due to severe weather conditions and natural disasters, as well as acts of terrorism, wars and similar events, could impact the Group's financial condition. Natural disasters such as earthquakes, floods, volcano eruptions, severe weather conditions, or other catastrophic events, may also severely affect the regions where the Group operates. For instance, since December 2019, the COVID-19 outbreak has caused substantial disruption in the global economies and markets and the pandemic has continued to spread on a global scale. Certain previous government restrictive measures in combating the COVID-19 outbreak, including travel advisories, lockdowns, corporate restrictions and expressway toll-free policies have affected the Group's businesses. For example, the toll-free policies impacted the Group's toll revenue from the expressways operated by it, and the travel restrictions and lockdowns had seasonal impact on the Group's construction and other businesses. Since December 2022, the PRC government has loosened a number of restrictions that it imposed before in response to the COVID-19 pandemic, including travel restrictions, quarantine, lockdowns, limitations on public gatherings and suspension of major events, leading to an unprecedented rise in COVID-19 cases in the PRC. In May 2023, the WHO declared that COVID-19 is no longer a global health emergency and there has been a gradual recovery in economic activity as governments have started to loosen pandemic restrictions, including lockdowns and social distancing measures, alongside the roll out of vaccination programmes. However, the potential for regional resurgence of COVID-19 remains and the emergence of new variants could lead to a resurgence in infection rates, it is difficult to predict when or if at all the pandemic will end, or whether there will be further waves of outbreaks in China, and there is no assurance that the PRC government will not tighten its COVID-19 policies again. The changes in policy might require the Group to adapt accordingly. If the Group is unable to effectively and efficiently operate its business and implement its strategies because of the obstructions caused by COVID-19 and the related changes in policy, the Group may not be able to grow its business and generate revenue as anticipated and its business operations, financial condition and prospects may be material and adversely affected.

Similarly, acts of terrorism, wars, threats of war, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and construction projects. In turn, there could be a material adverse effect on the business, financial condition and results of operations of the Group. In addition, the Group may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, the Group's operational continuity may be adversely and materially affected and its reputation seriously harmed.

**Historical consolidated financial information of the Group may not be indicative of its current or future results of operations and investors should exercise caution in comparing financial data between periods due to material acquisition, disposals or material changes to the list of consolidated subsidiaries.**

The historical financial information of the Group included in this Offering Circular is not indicative of its future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. The Group's future results of operations may change materially if its future growth does not follow the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which the Group operates its businesses.

**The Guarantor published and may continue to publish periodical financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Circular.**

The Guarantor from time to time issues debt securities in the domestic capital markets in the PRC. According to applicable PRC securities regulations on debt capital markets, the Guarantor needs to publish its quarterly, semi-annual and annual financial information to satisfy its continuing disclosure obligations relating to its debt securities issued in the domestic capital markets. After the Securities are issued, the Guarantor is obligated by the terms of the Securities, among others, to provide holders of the Securities with its audited financial statements and certain unaudited periodical financial statements. The quarterly and semi-annual financial information published by the Group in the PRC, for example, the consolidated financial information as at and for the three months ended 31 March 2024 of the Guarantor, is normally derived from the Group's management accounts which have not been audited or reviewed by independent auditors. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited or reviewed information. The Guarantor is not responsible to holders of the Securities for the unaudited and unreviewed financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

**The Group faces risks related to changes in accounting standards and correction of historical accounting errors.**

The Group has adopted a number of new accounting standards during the track record period. From 1 January 2022, the Group has adopted Interpretation of Accounting Standards for Business Enterprises No. 15 and No. 16. As a result, certain items as at or for the years ended 31 December 2021 and 2022 have been retrospectively adjusted.

As a result of the aforementioned, the Group's consolidated financial information as at and for the year ended 31 December 2023 may not be directly comparable to the Group's historical financial information as at and for the years ended 31 December 2021 and 2022 as set out elsewhere in this Offering Circular. For more information, please refer to Note V "*Introduction of changes in accounting policies and estimates and correction of significant previous errors*" of the Company's Audited Historical Consolidated Financial Statements.

There can be no assurance that the Ministry of Finance ("MOF") will not promulgate other new accounting standards or requirements in relation to financial statements or that there will not be further correction of accounting errors in the future which affect the Guarantor's accounting policies or the presentation of the Guarantor's financial statements.

**The Group’s auditors may be involved in investigations initiated by relevant PRC authorities from time to time and have limited international capital markets experience.**

The Group’s independent auditor, ShineWing is registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the MOF and the China Securities Regulatory Commission (“CSRC”). Although it has significant audit experience in the PRC, it has limited international capital market experiences and was previously investigated by CSRC or its local securities regulatory bureaus in connection with its provision of audit services to PRC companies.

For example, in April 2022, ShineWing had been subject to fine of RMB3,018,868 by CSRC in relation to the audit project of 2015 and 2016 annual financial statements of Leshi Internet Information & Technology Corp., (Beijing). Two signatory auditors were fined and warned in the said case. Also, since 2019, ShineWing and its several auditors had been subject to 15 administrative supervision measures by CSRC and its local bureaus.

As at the date of this Offering Circular, those administrative regulatory measures did not result in regulatory penalties or formal legal procedures. Members of the current audit team in the Group’s current independent auditor, ShineWing, is not involved in such administrative regulatory measures. However, there can be no assurance that ShineWing or any of its management, officers or employees would not be subject to further sanctions or suspension of business by MOF and/or CSRC due to those administrative regulatory measures. Neither can be assured that the Group’s independent auditor and its employees will not be subject to regulatory investigations or regulatory penalties in the future.

**RISKS RELATING TO THE GROUP’S EXPRESSWAYS BUSINESS**

**A decline in traffic volume may adversely affect the revenue and earnings of the Group’s expressways business.**

The expressways industry is generally less sensitive to changes in the economic cycle compared to other industries, but any change of the economic cycle will directly cause a change in the demand of economic activities for transport services, which in turn will affect the overall traffic volume and the total toll collection. The performance of the expressways business operated by the Group is affected by the PRC’s national economic conditions, particularly the economic conditions of Shandong province, since the traffic volume and revenue generated from toll collection are closely correlated with the province’s economic activities. As such, whether the traffic volume can be maintained at any given level will have an impact on the results of operations of the Group.

In addition, traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations. The recent increase in transport capacity of railways has impacted the overall expressways transportation industry. Widening and expansion works of nearby expressways and local roads, as well as openings of new roads, further expansion and improvement of the highway network, parallel roads or substitutive roads, have hindered traffic growth on the expressways of the Group and brings negative impact on the growth of toll revenue of the Group. Additionally, fluctuation in fuel prices may affect traffic volume on the Group’s roads. To the extent that fuel shortages or increasing fuel prices reduce the volume of traffic, the Group’s business, results of operations and financial condition may be materially and adversely affected.

Competing roads and bridges and alternative modes of transportation may also affect the Group’s expressways operations. There can be no assurance that new competing roads will not commence operation to divert traffic and other existing competing roads or modes of transportation will not significantly improve their services and as a consequence materially and adversely affect the revenue, results of operations and financial condition of the expressways business of the Group.

**The operations of the Group's expressways may be subject to operational risks.**

The operation of expressways generally involves a low level of operational risk as long as an effective system of internal controls over the collection of toll fees is properly established and appropriate periodic maintenance is carried out. The expressways operations of the Group may nonetheless be materially and adversely affected or interrupted by a variety of events, such as major traffic accidents, outages in the toll collection systems, natural disasters, serious adverse weather conditions and other unforeseen circumstances. Due to the unique features of the expressways industry (including the long construction cycle, significant scale of investment, relatively high level of technical standards and complexity), the payback period of expressway investment projects is comparatively longer. Thus, if the expressways operations are interrupted in whole or in part as a result of such events, the traffic flow and, therefore, the results of operations and financial condition of the Group may be materially and adversely affected.

In addition, the continuing repair and maintenance of expressways may require significant expenditure and the Group's operations and financial position may be impacted by significant unforeseen capital expenditure requirements. In recent years, a portion of the expressways that the Group operates has gradually reached maturity and may require large-scale maintenance or reconstruction, which may require significant expenditure. Significant capital expenditure may also be required as a result of catastrophic events such as adverse weather, natural disasters, epidemics and major road accidents. As at the date of this Offering Circular, no material events of this nature have adversely affected the operation of any of the Group's roads.

**Changes to the government's transportation-related policies may impact the Group's revenues and earnings.**

The Group's operations, along with those of other expressways operators in the PRC, are sensitive to changes in the PRC government's policies relating to all aspects of the transportation sector, such as, provincial and municipal transportation networks, traffic regulation, licensing and registration of vehicles, transfers of operating rights, toll regime and the planning, development, construction and management of expressways in the PRC. There can be no assurance that changes in such policies would not have a material and adverse effect on the revenue or results of operations of the Group.

Although the Group's primary expressways business is currently supported by national industrial policy, it is relatively sensitive to adjustments in existing local and national industrial policies and the introduction of new policies affecting the level of the expressway toll imposed by relevant supervisory departments, term of the toll collection operation and relevant basis for tax collection. For instance, the Group's income generated from toll revenues was affected by the national "Green Lane" policy (綠色通道政策) which has become applicable to all toll roads within the PRC since 1 December 2010, the Holiday Toll-Free Policy (as defined below) which was implemented in 2012, Toll-Free Policy for Cross-zone operation agricultural vehicles and Hydrogen powered vehicles, and Toll-Discount Policy for certain vehicles with ETC. There can be no assurance that future directives, notices or changes in the government's transportation-related policies would not have a material and adverse effect on the revenue or results of operations of the Group.

**The projected toll revenue targets for the Group's projects upon their completion may not be realised in the timeframe projected, if at all.**

In general, several years are required for the completion of an expressway project, before operations begin to generate income. The Group generally assesses the relevant costs and projected toll revenues in order to estimate when a project under construction would achieve the cash flow break-even point. The demand for transport is affected by various factors including the economic cycle and economic development within the zone, number of automobiles, changes in modes of transport, current existing national roads and diversion of traffic by provincial roads, competing expressway constructions and other modes of transport. Therefore, there is a degree of uncertainty on the estimate of the future traffic

volume for new investment projects. There can be no assurance that the break-even target set by the Group for its new projects would be achieved in the timeframe estimated, or at all, and consequently the Group's revenue and results of operations may be materially and adversely affected.

**The Group's toll income is dependent upon the toll rates set by government authorities and other factors.**

Toll rates charged by toll roads in the PRC are set by various government authorities. In addition, the Group needs to renew its permits to charge toll periodically with the relevant government authorities. There can be no assurance that any future applications by the Group to change toll rates or to renew expiring permits will be granted at all or in a timely manner or, if granted, will not be subject to conditions. Further, the duration within which the Group can charge toll rates is limited to not exceeding 25 years or 30 years for certain provinces, autonomous regions, and municipalities in the middle and western areas as determined by the state in accordance with the Highway Toll Management Regulations (《收費公路管理條例》) promulgated by the State Council. Since 2020, the Group's rights to collect toll from road users on the Jinan Yellow River Bridge, Binzhou Yellow River Bridge, Pingyin Yellow River Bridge and Weihai-Yantai Section Rongcheng-Wuhai Expressway expired. Although according to the requirements of the Shandong Provincial Transportation Department, the Weihai-Yantai Section of the Rongcheng-Wuhai Expressway will be expanded, after which tolls on that road will be collected as a new project, there can be no assurance that the toll collected from newly operational roads will be sufficient to offset this expiry, adversely affecting the Group's financial performance.

In addition, there can be no assurance that the PRC government authorities will not further lower or waive tariffs for the PRC toll road sector in the future. For example, in July 2012, the PRC government announced that it would implement the Important Holidays Waiver of Toll Road Fees for Small Sized Passenger Vehicles Scheme (《重大節假日免收小型客車通行費實施方案》) which effectively waived toll road fees for certain small sized passenger vehicles on specified public holidays (“**Holiday Toll-Free Policy**”). The Group's total revenue and results of operations have not been significantly affected by the implementation of the Holiday Toll-Free Policy to date. However, there can be no guarantee that the PRC government will not adopt any other policies or implement future directives, notices or changes in transportation-related policies in the future which may have further negative impact on the Group's toll revenue, total revenue and results of operations.

## **RISKS RELATING TO THE GROUP'S RAILWAYS BUSINESS**

**Any decrease in public spending on, or any change in the public procurement policies or industry standards relating to, rail transportation or rapid transit projects could impact the Group's railways business.**

The development of the PRC's railway industry is dependent upon a number of factors such as the continued growth of the PRC's economy and the development of major railway and rapid transit projects. The nature, extent and timing of these projects are, however, determined by a combination of factors, including the overall spending on railway infrastructure and rapid transit systems in China and the general conditions and prospects of the PRC's economy. A reduction in spending by the PRC government on railway and rapid transit infrastructure and rolling stock projects or changes in government policies affecting public spending could have a material and adverse effect on the Group's railway business.

**The Group's railways business may be adversely affected by competition from other modes of transportation in the PRC.**

The five main transportation modes for passenger and freight transportation in the PRC are aviation, railway, road, waterway and pipeline. Within the PRC, passengers travel mainly on railway and road networks; freight is transported mostly on railway, road and waterway networks. Liquid, oil and gas are usually delivered through pipelines. In the event that changes occur to passenger and freight transportation traffic patterns that lead to reduced overall volumes on railways, the Group's railways

business could be materially and adversely affected. In addition, demand for the Group's railway services may be reduced if there are unexpected events, such as terrorist attacks, environmental and other safety concerns, which could result in the decreased use of railway or rapid transit systems.

**The cyclical nature of the railway industry may expose the Group to potentially significant fluctuations in financial condition and results of operations.**

The Group's railways business operates in a cyclical industry that is sensitive to general economic conditions. Rapid growth in the PRC economy and urban population could lead to an increased demand for railway and rapid transit transportation, which could in turn foster demand for railway services. On the other hand, an economic slowdown could curtail demand for such services. Changes in market supply and demand could also have a substantial effect on the Group's business, revenues and financial condition. Macroeconomic conditions, cyclical trends in end-user markets, supply and demand imbalances, policies of the PRC government and other factors beyond the Group's control, including export policies, value-added taxes and export taxes could have a major impact on the Group's market share and demand for the Group's services. Periods of high demand for railway services, particularly rapid transit vehicles, higher capacity utilisation and increased operating margins have tended to result in a large amount of new investments and increased production in the overall industry until supply exceeds demand, which is subsequently followed by periods of declining prices and declining capacity utilisation, and the cycle repeats. Any of these cyclical factors may materially and adversely impact the Group's railways business.

**RISKS RELATING TO THE GROUP'S CONSTRUCTION BUSINESS**

**The Group's construction business is influenced by rises in labour costs and the cost of construction materials, which is volatile and subject to significant fluctuations.**

Labour and construction costs comprise the predominant components of the Group's costs. Labour and construction costs encompass all costs for the design and construction of a project, including payments to third party consultants, contractors, costs of construction materials, foundation and substructure and facilities for utilities. Historically, construction material costs have been the principal driver of the Group's construction costs. In recent years, the price of commodities (including the cost of fuel) has been highly volatile and construction material prices have shown fluctuating trends both in the domestic and the international markets. These fluctuating trends in prices may create availability constraints which may also have an adverse impact on the production schedule and costs of the Group. In particular, rises in labour costs have become an increasingly significant part of the Group's total cost of construction. A general trend in the economy of increased inflationary risk may also have an impact on labour and construction costs and a wider impact on other costs.

Construction costs may fluctuate as a result of the volatile price movements of construction materials. To the extent practicable, the Group will purchase construction materials in advance after assessing the current market prices of various construction materials in order to offset any potential price increases and to cover the demands of any contracts or projects awarded. The Group may also consult different suppliers in the market in order to obtain the best pricing, ensure quality and minimise costs. If appropriate, the Group also has the capability to manufacture certain materials, such as asphalt, which is widely used in its construction business. However, there can be no assurance that the Group's existing purchase arrangement will be sufficient to cater for its demand or to offset potential price increases. In particular, if existing contractors fail to perform under their contracts, the Group may be required to pay more to contractors under replacement contracts. Therefore, the Group's profit margin in respect of its construction business is sensitive to changes in the market prices for construction materials and such profit margins may be materially and adversely affected if the Group cannot pass all of the increased costs onto its customers.

**The Group requires permits or licences to undertake its construction business operations and any loss, termination or non-renewal of these permits or licences could have a material and adverse impact on its business.**

The Group requires permits and licences issued by the relevant government agencies to conduct its construction business and it must comply with the restrictions and conditions imposed by various levels of government to maintain its permits and licences. Currently, the Shandong Government has granted the Group a business concession with the right to design, construction, renovation, expansion, management, collection of tolls and other fees, maintenance and investment in any existing or planned infrastructure projects within the territory of Shandong province. If the Group fails to comply with any of the regulations required for the maintenance of its permits, licences or concession, the permits, licences and concession could be temporarily suspended or even revoked, or the renewal of the licences and concession, upon expiry of their original terms, may be delayed, which may have a material and adverse impact on the Group's construction business.

**Some or all of the Group's existing and planned projects may not be completed in a timely manner or at all.**

A large portion of the Group's business activities involves construction projects. The Group's success and financial performance will depend on its ability to identify, develop and market its construction projects in a timely and cost-effective manner. The Group's construction projects are subject to various construction risks, including but not limited to, the risk of delays in obtaining required approvals, availability of raw materials, increases in construction or resettlement costs, natural disasters, as well as reliance on third party contractors during the development of a project.

Construction of new projects entails significant risks, including shortages of materials or skilled labour, unforeseen engineering, environmental or geological problems, difficulties in the compensation and resettlement process, work stoppages, litigation, weather interference, floods and unanticipated cost increases, any of which could give rise to delays or cost overruns. Any significant increase in the price of construction materials, for example, would increase the Group's cost of development. Difficulties in obtaining any requisite licences, permits, allocations or authorisations from regulatory authorities could also increase the cost, or delay the construction or opening, of new projects. Construction projects may be located on land parcels with existing buildings or other structures on them or may be occupied by third parties. The inability of the government to enter into agreements with the owners of properties subject to demolition on the amount of compensation, or a significant increase in compensation payable to such owners for their relocation or resettlement can result in lengthy delays in the project timeline and increased land premiums payable by the Group. The compensation payable by government authorities cannot be lower than the market value of similar properties at the time of expropriation. If the compensation paid by government authorities increases significantly due to increases in property market prices, the land premiums payable by the Group may be subject to substantial increases. In addition, if a local government fails to reach an agreement on compensation with the owners or residents of the buildings subject to demolition, it may unilaterally decide on a compensation plan for such owners or residents, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may delay a project's timetable. If the Group experiences any significant delays or increases in costs, its business, financial condition and results of operations may be materially and adversely affected.

As a result of these and other factors described herein, there can be no assurance as to whether or when existing and planned construction projects will be successfully completed. Although the Group plans to apply many of the same development and marketing strategies that it has employed in the past, new projects may pose unforeseen challenges and demands on its managerial and financial resources. Non-completion of any of the Group's projects may have a material and adverse effect on the Group's business, reputation, financial condition and results of operations.



**The PRC government may impose a penalty on the Group or cancel the land use rights for any project which was not developed in compliance with the terms of the land use rights grant contract or Land Administration Law of the PRC.**

Under PRC law, if a developer fails to develop land in accordance with the terms of the relevant land use right granting contract (including those relating to the payment of fees, designated use of land, amount of gross floor area (“GFA”) developed, time for commencement and completion or suspension of the development, and amount of capital invested) or applicable laws and regulations, the relevant government authorities may issue a warning to, or impose a penalty on, the developer or, in the worst-case scenario, cancel the relevant land use rights and resume possession of the land. Specifically, under current PRC laws, where a non-agricultural development project which has completed examination and approval formalities occupies arable land but does not use the land within a year and the land can be used for cultivation and harvesting, the arable land shall be cultivated by the collective unit or the individual that carried out cultivation on the arable land previously or the land user may organise cultivation thereon; where the development project has not commenced for more than one year, the land user shall pay idle fee pursuant to the provisions of the relevant province, autonomous region or centrally-administered municipality; where the land is not used for two years consecutively, upon approval by the original approval authorities, the People’s Government of county level and above shall take back the land use rights from the land user without compensation; where the land is collectively-owned by farmers previously, the land shall be returned to the original rural collective economic organisation to resume cultivation. For land within the scope of urban planning for which land use rights are obtained via assignment and used for real estate development, if the Group fails to commence development for more than one year but less than two years from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to the Group and impose an idle fee on the land of 20 per cent. of the land grant premium. The relevant PRC land administrative bureau may confiscate the Group’s land use rights without compensation if it fails to commence development within two years from the construction commencement date set forth in the land grant contract, unless the delay in the development is caused by government actions or force majeure or by the early preparations necessary for starting the development. Moreover, if the Group commences development of the land in accordance with the time frame stipulated in the land grant contract, but the developed GFA on the land is less than one-third of the total imposed GFA of the project or the total invested capital is less than one-fourth of the total investment of the project, and the development of the land is suspended for more than one year without government approval, the land may be treated as idle land and subject to risk of forfeiture.

If the Group fails to obtain any land use right for any project or its land use rights do not comply with applicable PRC laws, it may be subject to fines and other penalties, including the cancellation of land use rights. There is no assurance that any cancellation of land use rights or imposition of a penalty will not arise in the future. If any land use right of the Group is cancelled, it will not be able to continue its development on the affected land, recover the costs incurred for the initial acquisition of the land or recover the development costs and other costs incurred up to the date of cancellation. Any requirement that the Group shall pay idle land fees or other related penalties may adversely affect the Group’s business, results of operations or financial condition.

**Some of the Group’s members may not possess valid land use rights or building ownership certificates to certain properties and some of the Group’s properties may be subject to usage for special purposes and restrictions on transfer.**

Some of the Group’s members may not possess valid land use rights certificates or building ownership certificates to certain properties. Some of these members may be in the process of applying for or will apply for the relevant certificates, permits or approvals for certain properties. In addition, some of the land that the Group uses or occupies are obtained through allocation from the local government without paying land premium to the land authorities. Under PRC laws and regulations, approvals from, and payment of land premium to, the relevant land authorities are necessary for any transfer, lease, sale and disposal of such allocated land or the buildings attached thereto. There can be no assurance that the

relevant authorities will continue to allow the Group to use the land and properties allocated to it to the same extent as currently used, or at all, which may have an adverse effect on the Group's business and operations.

## **RISKS RELATING TO THE GROUP'S TRADING BUSINESS**

**The Group's trading and other businesses are subject to risks relating to market conditions, fluctuation in commodity prices and is cyclical in nature.**

The Group's trading business mainly consists of the retail sales in the supermarkets in service area of the expressways, the sales of oil, the sales of building materials including asphalt, the sales of coal and grain, and the sales of concrete sleepers. The Group also conducts sales of petrol and diesel. Consequently, these businesses are affected by the fluctuation in prices of the products and commodities in which the Group trades, as well as the cyclical nature of the industry. For example, since 2020, the Group's oil trading business has been affected by the volatility in international oil prices. The Group's business also faces overseas suppliers and customers, which is in turn affected by the local market conditions of such parties, including, general economic conditions, developments in the major world economies and geopolitical changes. Any of these factors may materially and adversely impact the Group's financial condition and results of operations.

## **RISKS RELATING TO THE GROUP'S FINANCIAL SERVICES BUSINESS**

**The Group's financial services segment's businesses are highly regulated and may be materially and adversely affected by future regulatory changes.**

The Group conducts its financial services business through WCC Bank, which is a city commercial bank in Weihai, Shandong Hi-Speed Investments and Holdings Co., Ltd. (山東高速投資控股有限公司) and certain other subsidiaries. The Group's financial services segment's businesses and operations are directly affected by changes in PRC government policies, PRC laws and regulations relating to the banking and insurance industries, including those affecting the extent to which the Group can engage in specific businesses, as well as changes in other governmental policies. There can be no assurance that the policies, laws and regulations governing the banking and insurance industries will not change in the future or that any such changes will not materially and adversely affect the Group's business, financial condition and result of operations nor can there be any assurance that the Group will be able to adapt to all such changes on a timely basis. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws and regulations, which may result in penalties and restrictions on the Group's activities and could also have a significant impact on its financial services business. The PBOC lowered the deposit-reserve ratio several times since 2014. The reserve ratio relates to the amount of funds that banks must hold in reserve with the PBOC against deposits (including margin deposits such as acceptances, letters of credit and letters of guarantee) made by their customers. Any future increases in bank reserve requirement ratio, revisions of the calculation basis of the reserve ratio and other changes in policies and regulations in the banking and insurance industries may negatively impact the amount of funds available for loans by WCC Bank which may in turn have a material and adverse effect on the business, financial position and results of operations of the Group's financial services business segment.

**Uncertainties and instability in global market conditions could adversely affect the Group's financial services segment's businesses.**

WCC Bank offers a variety of financial services, including credit services such as granting loans, peer deposits, buy and sell back transactions, investment in bonds and account receivables and off-balance sheet credit (including guarantees, commitments and financial derivative transactions), whose performances are highly dependent on economic and market conditions both globally and in the PRC. The global credit markets have experienced unfavourable financial or economic conditions, such as those caused in recent years by the global financial and economic crisis, including the European debt crisis, the potential withdrawal of countries from the Eurozone and volatility of the PRC stock market.

For example, volatility in the capital markets in the United States, Europe, Japan, the PRC and other jurisdictions in recent years have resulted in adverse global economic conditions as well as having a corresponding effect on Asian financial markets and may continue to do so in the future. If the global financial markets experience any further turmoil or if the PRC experiences any significant economic downturn, the Group's financial services segment's businesses could be materially and adversely affected.

**WCC Bank is subject to liquidity risk.**

Customer deposits have historically been WCC Bank's main source of funding. As a result, there may be a mismatch between the maturities of its liabilities and the maturities of its assets. Generally, WCC Bank's short-term customer deposits have not been withdrawn upon maturity and have represented a stable source of funding. However, there can be no assurance that this will continue to be the case. If a substantial portion of its depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, WCC Bank's liquidity position, business, financial condition and results of operations may be materially and adversely affected. In such case, WCC Bank may have no choice but to seek other sources of funding to meet its funding requirements. There can be no assurance that WCC Bank can source adequate financing based on acceptable commercial terms, if at all. All of these factors may have a material and adverse effect on WCC Bank's liquidity, business, financial position and results of operations.

**WCC Bank may not be able to maintain or further reduce its current non-performing loan ratio.**

As at 31 December 2021, 2022 and 2023, WCC Bank's non-performing loans amounted to approximately RMB2.1 billion, RMB2.4 billion and RMB2.8 billion, respectively, with a non-performing loan ratio ("NPL ratio") of approximately 1.5 per cent., 1.5 per cent. and 1.45 per cent., respectively. There can be no assurance that WCC Bank will be able to reduce or even maintain the same NPL ratio level in the future. This is because the quality of WCC Bank's loan portfolio is affected by factors, many of which are beyond its control, including but not limited to, any adverse changes to the PRC economic structure, deterioration in the PRC's economy and deterioration in the global economy including the credit crisis and financial turmoil in Europe. Adverse changes in the economic environment in the PRC as well as force majeure events including natural disasters or outbreak of diseases may all have a negative impact on WCC Bank's borrowers' ability to repay the loans. Factors such as deterioration in the credit conditions of WCC Bank's customers' trading partners, decline in both residential and commercial property prices, increase in the unemployment rate in the PRC and a deterioration in the profitability of corporate borrowers can also lead to a reduction in the quality of WCC Bank's assets. All of these factors can lead to an increase in WCC Bank's NPL ratio, which may correspondingly have a material and adverse effect on its business, financial condition and results of operations.

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

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

The Securities and the Guarantee of the Securities are unsecured obligations of the Issuer and the Company respectively. The repayment of the Securities and payment under the Guarantee of the Securities may be adversely affected if:

- the Issuer or the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Company's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Company's indebtedness.

If any of these events were to occur, the Issuer's or the Company's assets may not be sufficient to pay amounts due on the Securities.

**The Issuer is a special purpose vehicle and the Company relies on cash injections by the SSASAC and receipt of cash dividends from its subsidiaries for its cash flow and ability to satisfy its obligations and the obligations of the Issuer under the Securities and obligations of the Company under the Guarantee of the Securities.**

The Issuer is set up by the Group as a special purpose vehicle for the issuance of securities with no significant operations or assets and rely on the Group members for any cash to satisfy its payment obligations under the Securities.

The Company depends, to a large extent, on cash injections by the SSASAC and its receipt of cash dividends from its subsidiaries for its cash flow requirements and to satisfy its own debt obligations, before helping to satisfy the Issuer's payment obligations under the Securities and the Company's obligations under the Guarantee of the Securities. The ability of such subsidiaries to pay dividends or otherwise transfer assets to the Company is subject to various restrictions under applicable laws and contracts to which they are a party. Each of the subsidiaries is a separate legal entity that has no obligation to pay any amounts due under the Securities or make any funds available therefore, whether by dividend, loans or other payments. The Company's right to receive assets of any of its subsidiaries, upon that subsidiary's liquidation or reorganisation will be effectively subordinated to the claim of that subsidiary's creditors except to the extent that the Company is a creditor of that subsidiary. If the Company fails to obtain funds from such sources, its financial condition and ability to help satisfy the Issuer's payment obligations under the Securities and the Company's obligations under the Guarantee of the Securities will be adversely affected.

**The PRC government has no obligations under the Securities or the Guarantee of the Securities.**

The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Securities or the Guarantee of the Securities in lieu of the Issuer or (as the case may be) the Company. This position has been reinforced by the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Investment and Financing Activities Conducted by Financial Institutions for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知，財金[2018]23號)(the “**MOF Circular**”) promulgated on 28 March 2018 and which took effect on the same day, and the Circular of the National Development and Reform Commission and the Ministry of Finance on Improvement of Market Regulatory Regime and Strict Prevention of Foreign Debt Risks and Local Government Indebtedness Risks (國家發展改革委財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知)(the “**Joint Circular**”) promulgated on 11 May 2018 and which took effect on the same day and the Guiding Opinion on Strengthening the Asset and Liability Constraints of State-Owned Enterprises (中共中央辦公廳、國務院辦公廳關於加強國有企業資產負債約束的指導意見) jointly issued by the General Office of the Central Committee of the Communist Party of China and the State Council on 13 September 2018 and which took effect on the same day, and Notice of the General Office of the National Development and Reform Commission on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-owned Enterprises (國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知) promulgated on 6 June 2019.

In addition, on 7 March 2021, the State Council issued the Opinions of the State Council on Further Deepening the Reform of the Budget Management System (國務院關於進一步深化預算管理制度改革的意見)(國發[2021]5號)(“**Circular 5**”). The Circular 5 clarified six key reform measures, which are to increase the overall planning of budgetary revenue and enhance the fiscal support capacity, to standardise budget expenditure management and promote standardisation of fiscal expenditures, to strictly manage budget preparation and enhance the integrity of fiscal budgets, to strengthen budget

execution and performance management and enhance the binding force of budget, to strengthen risk prevention and control and enhance fiscal sustainability, and to enhance fiscal transparency and improve the informatisation level of budget management.

The PRC government as the ultimate controlling shareholder of the Company only has limited liability in the form of its equity contribution in the Company. As such, the PRC government does not have any payment obligations under the Securities or the Guarantee of the Securities. The Securities are solely to be repaid by the Issuer and by the Company pursuant to the Guarantee of the Securities, each as an obligor under the relevant transaction documents and as an independent legal person.

**If the Company fails to complete the post-issuance report to the NDRC in connection with the Securities, NDRC may impose penalties or other administrative procedures on the Company.**

The Administrative Measures for the Review and Registration of Mid- to Long-Term Foreign Debt of Enterprises (NDRC Order No. 56)(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) was issued by the NDRC and came into effect on 10 February 2023. Under the NDRC Order 56, the Company shall, (i) file or cause to be filed with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the NDRC Certificate with respect to the Securities in accordance with the NDRC Order 56, (ii) file or cause to be filed with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) file or cause to be filed the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations.

Failure to comply with the NDRC post-issue and continuing filing obligations (such as post-issue filing, pre-issuance approval expiration filing, periodical filing and major event filing) under articles 24 and 26 of the NDRC Order 56 may result in the relevant entities being ordered to make corrections within a time limit, and in the case of aggravating circumstances or in the case that such corrections are not made within the prescribed time limit, relevant entities and their main person-in-charge will be warned. The aforesaid regulatory violations committed by enterprises shall be publicised on the "Credit China" website and the national enterprise credit information publicity system, among others.

The Company undertakes to file or cause to be filed with the NDRC within the relevant prescribed timeframes after the Issue Date the requisite information and documents in respect of the Securities in accordance with the NDRC Order 56 and any implementation rules or policies as issued by the NDRC from time to time.

However, the Order 56 is new, and its implementation may involve significant uncertainty. The administration and enforcement of the Order 56 may be subject to executive and policy discretion of the NDRC. While the Order 56 has set out the legal consequences for debtors and involved professional parties in cases of non-compliance of the Order 56, the Order 56 is silent on whether any such non-compliance would affect the validity and enforceability of the Securities. There is no assurance that the failure to comply with the Order 56 would not result in adverse consequences on the Issuer's or the Company's ability to perform in accordance with the Terms and Conditions or the enforceability of the Securities.

**If the Company fails to submit the Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee of the Securities given by the Company.**

If the Company fails to submit the Deed of Guarantee for registration with SAFE or complete such registration with SAFE within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee of the Securities. Pursuant to the Deed of Guarantee, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Securities and the Trust Deed. The Company is required to submit for registration Deed of Guarantee and other documents to SAFE for registration in accordance with the

Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) and any implementation rules or guidelines as issued by SAFE from time to time (the “**Cross-border Security Registration**”) within 15 working days after the Issue Date of the Securities. Although the non-registration does not render the Guarantee of the Securities ineffective or invalid under the PRC law, the relevant SAFE rules require the Company to complete SAFE registration before discharging such guarantee obligations and may subject the Company to the administrative inspections and penalties due to the non-compliance with the above registration requirement, which will impact or delay the payments to be made by the Company out of the PRC for the purpose of discharging such guarantee obligations. The Company intends to use all reasonable endeavours to complete the Cross-border Security Registration on or before the Registration Deadline (as defined in the Terms and Conditions). A failure to complete the SAFE registration on or before the Registration Deadline would result in a Step-Up Event and would also give the Issuer the right to redeem all but not some only of the Securities at their principal amount together with Distribution accrued to, but excluding, the date fixed for redemption. The administration of the Foreign Exchange Administration Rules on Cross-border Security may be subject to a certain degree of executive and policy discretion by SAFE. There is no assurance that the Cross-border Security Registration can be completed by the Company or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Deed of Guarantee in the PRC.

**Third parties, including holders of the Securities, may be hindered or prevented from enforcing their rights with respect to the assets of the Company because of the doctrine of sovereign immunity or state secret privilege.**

As at the date of this Offering Circular, the Company is controlled by the PRC government indirectly through the SSASAC. All of the assets relating to the operation of the Company’s business are either owned or controlled by the Company itself or by companies wholly or majority owned by the Company. Where a third party brings a legal action against the Company, its subsidiaries or their assets based on a contractual dispute with them, the legal proceedings, particularly the enforcement of judgments or any arbitral awards with respect to the assets of the Company and its subsidiaries in the PRC, may be subject to the law and legal systems and the jurisdiction of PRC courts or tribunal. While the Company can be sued in its own capacity in a civil proceeding in a court or tribunal, there is no assurance that the assets of the Company will not be immune from enforcement proceedings on the grounds of sovereign immunity or state secret privilege. If such immunity or privilege is invoked to dismiss judgments from the court or tribunal, it may be difficult for the third-party plaintiffs (such as holders of the Securities) to enforce their contractual rights against the Company, its subsidiaries or their assets in the PRC.

**The Securities do not contain restrictive financial or operating covenants.**

The Trust Deed governing the Securities will contain a negative pledge provision intended to benefit the holders of the Securities that limits the Group’s ability to create a mortgage, charge, pledge, lien or other encumbrance on its assets. However, this provision is subject to other significant exceptions. See “*Terms and Conditions of the Securities*”. The Group will be allowed to create or have outstanding security interests on a substantial portion of its assets to secure certain relevant indebtedness, and such security interests will not be required to be shared with the holders of the Securities.

The Trust Deed governing the Securities, however, does not contain any restrictive financial or operating covenants or restrictions on the incurrence of indebtedness or the payment of dividends or making of other restricted payments. In addition, the Trust Deed does not contain any other covenants or provisions designed to afford holders of the Securities protection in the event of a highly leveraged transaction involving the Group that could adversely affect such holders. Also, the Issuer’s business activities are not limited or regulated by any means under the Securities, the Trust Deed or the Deed of Guarantee. Subject to the terms of the Group’s existing debt and credit facilities, the Group may incur substantial additional indebtedness in the future.

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

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

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

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

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

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

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

**The Securities may be redeemed at the Issuer’s option (i) on any date that falls one month prior to the First Reset Date up to and including the First Reset Date or (ii) on any Distribution Payment Date after the First Reset Date or upon the occurrence of certain other events.**

The Securities are redeemable at the option of the Issuer (i) on and including any date that falls one month prior to the First Reset Date up to and including the First Rest Date or (ii) on any Distribution Payment Date after the First Reset Date at their principal amount together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount).

In addition, the Issuer also has the right to redeem the Securities upon the occurrence of a Step-Up Event. The Securities may also be redeemed at the option of the Issuer if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased or cancelled. The date on which the Issuer elects to redeem the Securities may not accord with the preference of individual Holders. This may be disadvantageous to the Holders in

light of market conditions or the individual circumstances of the Holders of the Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Securities.

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

Any scheduled Distribution will not be due if the Issuer elects to defer that Distribution pursuant to the Terms and Conditions. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings against the Issuer or the Company is limited to circumstances where a winding-up proceeding has been initiated against the Issuer or the Company or where payment has become due under the Securities, the Guarantee of Securities or the Trust Deed and the Issuer or the Company fails to make such payment for a period of 14 days or more after the date on which such payment is due. Holders of the Securities would need to prove in such winding-up or claim in the liquidation of the Issuer or the Company (as the case may be) for the recovery of amounts in respect of the Securities.

**Changes in accounting standards may impact the Group's financial condition or the characterisation of the Securities.**

The Ministry of Finance of the PRC (the "MOF") has issued and may in the future further issue new and revised standards, guidelines and interpretations, including the 2018 application guideline for "Accounting Standards for Business Enterprises in China No. 37 – Presentation of Financial Instrument" issued in July 2018 and Provisions on Accounting Treatment of Perpetual Bonds issued in January 2019. Such standards, guidelines and interpretations may require the adoption of new accounting policies by the Group. There can be no assurance that the adoption of new accounting policies or new PRC GAAP will not have a significant impact on the Group's financial condition and results of operations. In addition, any change or amendment to, or any change or amendment to the general application or interpretation of, PRC GAAP may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of the Company, and will give the Issuer the right to elect to redeem the Securities. See "Terms and Conditions of the Securities – Condition 5(d) (Redemption for accounting reasons)".

Similarly, any change or amendment to, or any change or amendment to the general application or interpretation of the Hong Kong Financial Reporting Standards may result in the reclassification of the Securities such that the Securities must not or must no longer be recorded as "equity" of SDHG (the immediate parent company of the Issuer), and will give the Issuer the right to elect to redeem the Securities. See "Terms and Conditions of the Securities – Condition 5(d) (Redemption for accounting reasons)".

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

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

**The Trustee may request the holders of the Securities to provide an indemnity and/or security to its satisfaction before taking certain actions.**

In certain circumstances (including without limitation giving of notice to the Issuer and the Company pursuant to Condition 8 of the Terms and Conditions and taking action pursuant to Condition 13 of the Terms and Conditions), the Trustee may (at its sole discretion) request the holders of the Securities to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of such holders of the Securities. The Trustee shall not be obliged to take any such actions if not



first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may affect when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed governing the Securities and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law and regulations, it will be for the holders of the Securities to take such actions directly.

**The obligations of the Company under the Guarantee of the Securities provided by the Company are structurally subordinated to the liabilities and obligations of their respective subsidiaries.**

The Company's ability to perform its obligations under the Guarantee of the Securities is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Company in relation to the Guarantee of the Securities will be effectively subordinated to all existing and future obligations of the subsidiaries of the Company (which have not provided any guarantee under the Securities) and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee of the Securities.

**The Issuer may not be able to redeem the Securities upon the occurrence of a redemption event of the Securities.**

The Issuer, upon the occurrence of a redemption event of the Securities (as set forth in the Terms and Conditions), is required to redeem the Securities. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Securities in time, or on acceptable terms, or at all. The ability to redeem the Securities in such event may also be limited by the terms of other debt instruments. The Issuer's failure to repay, repurchase or redeem tendered Securities would give the Trustee the right to institute proceedings for the Winding-Up (as defined in the Terms and Conditions) of the Issuer or the Company under the Securities, which may also constitute a default under the terms of the Group's other indebtedness.

**If the Company or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in their respective debt agreements (if any), there could be a default under the terms of these agreements, which could cause repayment of the relevant debt to be accelerated.**

If the Company or any of its subsidiaries, including the Issuer, is unable to comply with the restrictions and covenants in the Securities (as applicable) or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. Certain of the Group's or its subsidiaries' loan agreements contain or may contain restrictive covenants, which prevent such subsidiaries from, among other things, incurring or guaranteeing additional indebtedness, declaring dividends on capital stock, purchasing or redeeming capital stock or making investments. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Company or any of its subsidiaries, including the Issuer, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements contain or may contain cross-acceleration or cross-default provisions. As a result, the default by the Company or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of debt, or result in a default under its other debt agreements. If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows of the Company or any of its subsidiaries to repay in full all of their respective indebtedness, or that they would be able to find alternative financing. Even if the Company and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Company and its subsidiaries.

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

The price and trading volume of the Securities may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, any adverse change in the credit rating and results of operations could cause the price of the Securities to change. Any such developments may result in large and sudden changes in the volume and price at which the Securities will trade. There can be no assurance that these developments will not occur in the future.

**Developments in other markets may adversely affect the market price of the Securities.**

The market price of the Securities may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Securities is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Securities could be adversely affected.

**Investment in the Securities is subject to exchange rate risks and exchange controls which may result in a Securityholder receiving less interest or principal than expected.**

The Securities are denominated and payable in U.S. dollars. The Issuer will pay principal and interest on the Securities in U.S. dollars. This presents certain risks relating to currency conversions if a Securityholder's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the U.S. dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. dollar would decrease (i) the Investor's Currency equivalent yield on the Securities; (ii) the Investor's Currency equivalent value of the principal payable on the Securities; and (iii) the Investor's Currency equivalent market value of the Securities. In addition, there may be tax consequences for Securityholders as a result of any foreign currency gains resulting from any investment in the Securities.

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

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

Investment in the Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of the Securities. Generally, a rise in market interest rates may cause a fall in the trading prices of the Securities, resulting in a capital loss for holders of the Securities. However, holders of the Securities may reinvest the interest payments at higher prevailing interest rates. Conversely, when market interest rates fall, the trading prices of the Securities may rise. Holders of the Securities may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates. As the Securities will carry a fixed interest rate, the trading price of the Securities will consequently vary with the fluctuations in the U.S. dollar interest rates. If holders of the Securities propose to sell their Securities before their maturity, they may receive an offer lower than the amount they have invested.

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

The Securities are expected to be rated "A-" by Fitch and "A3" by Moody's, upon issuance. In addition, Fitch has assigned a corporate rating of "A" with a negative outlook and Moody's has assigned a corporate rating of "A3" with a stable outlook to the Guarantor. Ratings are limited in scope,

and do not address all material risks relating to an investment in the Securities, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of a rating may be obtained from the relevant rating agency. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold the Securities and may be revised or withdrawn by the rating agency at any time. Each rating should be evaluated independently of any other rating. Actual or anticipated changes or downgrades in the Guarantor's credit ratings, including any announcement that the Guarantor's ratings are under further review for a downgrade, could affect the market value of the Securities and increase the Guarantor's corporate borrowing costs.

**Price of the Securities may be affected by additional debt incurred by the Group following this offering.**

In order to maintain or adjust the capital structure, the Group will consider the conditions, prevailing borrowing rate in the market and adequacy of cash flows generated from operations and may further access the international capital markets and raise funding through debt issuance. The Company may consider providing a guarantee of such additional debt, which may affect the price of the Securities.

**A trading market for the Securities may not develop.**

The Securities are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Securities or that an active trading market will develop. If such a market were to develop, the Securities could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although approval in-principle has been received from the SGX-ST for the listing of the Securities on the SGX-ST, no assurance can be given as to the liquidity of, or trading marked for, the Securities. The Joint Lead Managers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Joint Lead Managers. In addition, the Securities are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Securities will only be able to resell the Securities in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is the investors' obligation to ensure that offers and sales of the Securities within the United States and other countries comply with applicable securities laws. Please see "*Subscription and Sale.*" None of the Issuer or the Company can predict whether an active trading market for the Securities will develop or be sustained.

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

As the Issuer is incorporated under the laws of the British Virgin Islands and the Company is incorporated under the laws of the PRC, any insolvency proceeding relating to the Issuer or the Company would likely involve the British Virgin Islands or PRC insolvency laws, as the case may be, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Securities are familiar.

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

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

The ratings of the Securities may be downgraded or withdrawn and may adversely affect the market price of the Securities. In particular, on 10 April 2024, Fitch revised its outlook of China's sovereign ratings from stable to negative. There is no assurance that Fitch will not subsequently downgrade its rating or negatively revise the outlook of rating of Chinese companies, including the Company.

The Securities are expected to be rated "A-" by Fitch and "A3" by Moody's, upon issuance. Moody's has assigned a corporate rating of "A3" with a stable outlook by Moody's and Fitch has assigned a corporate rating of "A" with a negative outlook to the Company. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer and the Company to perform their respective obligations under the Securities and the Guarantee of the Securities and credit risks in determining the likelihood that payments will be made when due under the Securities. A rating is not a recommendation to buy, sell or hold the Securities. The ratings can be lowered or withdrawn at any time. No assurance can be given that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by an assigning rating agency. Any decline in the financial position of the Issuer, the Company, or any of its subsidiaries may impair the ability of the Issuer or the Company to make payments to the Holders under the Securities and/or result in the rating of the Securities being lowered, suspended or withdrawn entirely. If the rating initially assigned to the Securities is subsequently lowered or withdrawn for any reason, no person or entity will be obliged to provide any additional credit enhancement with respect to the Securities. Neither the Company nor the Issuer is obliged to inform the holders of the Securities if the ratings are lowered or withdrawn. A reduction or withdrawal of the ratings may adversely affect the market price of the Securities and the Issuer's and the Company's ability to access the debt capital markets.

**Investment in the Securities is subject to exchange rate risks.**

The Securities are denominated and payable in U.S. dollars. If a Holder measures its investment returns by reference to a currency other than U.S. dollars, an investment in the Securities entails foreign exchange related risks, including changes in the value of U.S. dollars relative to the currency by reference to which an investor measures its investment returns. Depreciation of the U.S. dollars against such currency could cause a decrease in the effective yield of the Securities below their stated coupon rates and could result in a loss when the return on the Securities is translated into such currency. In addition, there may be tax consequences for Holders as a result of any foreign currency gains resulting from any investment in the Securities.

**Modifications and waivers may be made in respect of the Terms and Conditions, the Trust Deed and the Deed of Guarantee by the Trustee or less than all of the holders of the Securities.**

The Terms and Conditions provide that the Trustee may, without the consent of Holders, agree to any modification of the Deed of Guarantee, the Trust Deed, the Terms and Conditions and/or the Agency Agreement (other than in respect of a Reserved Matter (as defined in the Trust Deed)) which in the opinion of the Trustee will not be materially prejudicial to the interests of Holders or which is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

In addition, the Trustee may, without the consent of the Holders, authorise or waive any proposed breach or breach of the Securities, the Trust Deed, the Guarantee of the Securities or the Agency Agreement (other than a proposed breach, or a breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

**Several initial investors may own a majority of the Securities to be issued and may therefore be able to exercise certain rights and powers on behalf of all holders of such Securities. Additionally, this may reduce the liquidity of the Securities in the secondary trading market.**

Several initial investors may own a majority of the Securities being offered under this Offering Circular. Any holder of a majority in aggregate principal amount of the Securities will have certain rights and powers under the Trust Deed and related documents. For example, subject to certain exceptions, the

holders of a majority in aggregate principal amount of the Securities may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee or exercising any trust or power conferred on it. In addition, as described in “*Terms and Conditions of the Securities*”, the Trust Deed, the Securities and the Guarantee of the Securities may be amended with the consent of the holders of a majority in aggregate principal amount of the Securities, and certain compliance with any provision of the Trust Deed, the Securities or the Guarantee of the Securities may be waived with the consent of the holders of a majority in aggregate principal amount of the Securities. Accordingly, any holder that holds a majority in aggregate principal amount of the Securities will be able to exercise such rights and powers on behalf of all holders of the Securities and control the outcome of votes on such matters.

In addition, any holder that holds a significant percentage of the Securities, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders the Securities. For example, holders of at least 25 per cent. in aggregate principal amount of the outstanding Securities may request the Trustee to institute actions, steps or proceedings to enforce their rights in respect of the Securities.

Additionally, the existence of any such significant holder may reduce the liquidity of the Securities in the secondary trading market. If such holder sells a material portion of the Securities at any one time, it may materially and adversely affect the trading price of the Securities.

**The Company’s financial statements were prepared in conformity with PRC GAAP, which differs from IFRS in certain aspects, and investors may have less confidence in the reliability of the Company’s financial statements and adversely affect the market price of the Securities.**

The Company’s Audited Consolidated Financial Statements included elsewhere in this Offering Circular were prepared in conformity with PRC GAAP which differs in certain aspects from IFRS. See “*Summary of Certain Material Differences between PRC GAAP and IFRS*”. Investors may have less confidence in the Company’s Audited Consolidated Financial Statements and the financial information of the Company included elsewhere in this Offering Circular, which may adversely affect the market price of the Securities. In addition, investors should consult their own professional advisers for an understanding of any difference and how they may affect the financial information contained herein.

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

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

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

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

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

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

The Securities will initially be represented by the Global Certificate. Such Global Certificate will be deposited with a common depository for Euroclear and Clearstream (each a “**Clearing System**”). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Securities. The relevant Clearing System will maintain records of the beneficial interests in the Global Certificate.

While the Securities are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems. While the Securities are represented by the Global Certificate, the Issuer will discharge its payment obligations under the Securities by making payments to the common depository for Euroclear and Clearstream 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 Securities. 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 Securities. 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.

## **RISKS RELATING TO THE PRC**

*The PRC economy has been transitioning from a planned economy to a more market-orientated economy for four decades. Although, in recent years, the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, a substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.*

**Uncertainties with respect to the PRC legal system could have a material adverse effect on the prospects, financial condition and results of operations of the Group.**

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases have little value as precedents. Since 1979, the PRC government has begun to promulgate a comprehensive system of laws and has introduced many new laws and regulations to provide general guidance on economic and business practices in the PRC and to regulate foreign investment. Progress has been made in the promulgation of laws and regulations dealing with economic matters such as corporate organisation and governance, foreign investment, commerce, taxation and trade. The promulgation of new changes to existing laws and the abrogation of

local regulations by national laws could have a negative impact on the business and prospects of the Group. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be subject to policy changes which reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have a material adverse effect on the prospects, financial condition and results of operations of the Group.

**The enforcement of the Labour Contract Law and other labour-related regulation in the PRC may materially adversely affect the Group's business and its results of operations.**

The Labour Contract Law of the PRC (the “**Labour Contract Law**”) was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and came into effect on 1 January 2008. Certain amendments to the Labour Contract Law were adopted on 28 December 2012 and became effective on 1 July 2013. The Labour Contract Law is primarily aimed at the regulation and protection of employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. In addition, the PRC government has continued to introduce various new labour-related regulations after the effectiveness of the Labour Contract Law. The Group's labour costs may increase as a result of these new protective labour measures, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, as the interpretation and implementation of these new regulations are still evolving, the Group's employment practice may not at all times be deemed in compliance with the new regulations. If the Group is subject to severe penalties or incurs significant liabilities in connection with labour disputes or investigations, the Group's business and results of operation may be adversely affected.

**The PRC economy is susceptible to the macroeconomic policies of the PRC government.**

The PRC government has exercised and continues to exercise significant influence over the PRC's economy. From time to time, the PRC government adjusts its monetary and economic policies, which may affect the markets in which the Group operates. Any action by the PRC government concerning the economy could have a material adverse effect on the business, financial condition and results of operations of the Group.

The PRC government has in recent years taken a number of policy initiatives in the financial sector. The PRC government lowered the deposit-reserve ratio eight times since 2014. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits (including margin deposits such as acceptances, letters of credit and letters of guarantee) made by their customers.

Any future increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including to the Group, by commercial banks in Mainland China. The Group cannot assure investors that the PRC government will not introduce other initiatives which may limit the Group's access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit the Group's flexibility and ability to use bank loans or other forms of financing and therefore may require the Group to maintain a relatively high level of internally sourced cash. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

**Government control of currency conversion and fluctuations in the value of Renminbi may adversely affect the Group's performance under the Securities, its business and the value of distribution by its PRC subsidiaries.**

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency-denominated obligations, are subject to the approval requirements of the State Administration of Foreign Exchange of the PRC or its competent local counterpart (“**SAFE**”) and other procedures. In addition, the Securities are denominated in U.S. dollars while substantially all of the

Group's revenue is generated by its PRC operating subsidiaries and is denominated in Renminbi. Pursuant to reforms of the exchange rate system, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a band of 2.0 per cent. above or below the central parity rate against a basket of foreign currencies, effective 17 March 2014. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. Following the gradual appreciation against U.S. dollar in 2017, Renminbi experienced a recent depreciation in value against U.S. dollar followed by a fluctuation in 2018 and early 2019. On 5 August 2019, the PBOC set the Renminbi's daily reference rate above RMB7 per U.S. dollar for the first time in over a decade amidst an uncertain trade and global economic climate. On 15 September 2022, the Renminbi's daily reference rate again rose to above RMB7.00 per U.S. dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the U.S. dollar, the Group's financial condition and results of operations could be adversely affected because of its U.S. dollar denominated indebtedness and other obligations. Such devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of the Group's earnings and its ability to satisfy its obligations under the Securities.

**It may be difficult to effect service of legal process, enforce any judgments obtained from non-PRC courts against the Group or its management residing in the PRC.**

The Terms and Conditions and the transaction documents are governed by English law and the Issuer and the Guarantor have submitted to the exclusive jurisdiction of the Hong Kong courts. However, the Guarantor and most of its subsidiaries are companies incorporated under the laws of the PRC, and a substantial portion of their assets and most of the Guarantor's subsidiaries are located in the PRC. In addition, most of the Guarantor's directors, supervisors and senior management reside within the PRC, and the assets of the Guarantor's directors, supervisors and senior management may be located within the PRC. As a result, it may not be possible to effect service of legal process outside the PRC upon most of the Guarantor's directors, supervisors and senior management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which the Group is subject are also relatively undeveloped and untested. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts in most other jurisdictions. Therefore, it may not be possible for investors to effect service of process upon the Group or its management in the PRC.

On 18 January 2019, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排)(the "**2019 Arrangement**"). The 2019 Arrangement has been implemented in Hong Kong by the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (Cap. 645), which came into operation on 29 January 2024. In the Mainland, the Supreme People's Court promulgated a judicial interpretation to implement the 2019 Arrangement on 26 January 2024 (the "**Judicial Interpretation**"). The 2019 Arrangement applies to judgments made on or after 29 January 2024.

Unlike other bonds issued in the international capital markets where holders of such bonds would typically not be required to submit to an exclusive jurisdiction, the Securityholders will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts. Thus, the Securityholders' ability to initiate a claim outside Hong Kong will be limited.



Under the 2019 Arrangement, where the Hong Kong court has given a legally effective judgment in a civil and commercial matter, any party concerned may apply to the relevant People's Court of the Mainland for recognition and enforcement of the judgment, subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement and the Judicial Interpretation. The recognition and enforcement of a Hong Kong court judgment could be refused if the relevant People's Court of the Mainland consider that the enforcement of such judgment is contrary to the basic principles of law of the Mainland or the social and public interests of the Mainland. While it is expected that the relevant People's Courts of the Mainland will recognise and enforce a judgment given by a Hong Kong court and governed by English law, there can be no assurance that such courts will do so for all such judgments as there is no established practice in this area.

## **RISKS RELATING TO TAXATION**

*The following is a summary of certain tax related risk factors. The following risk factors do not purport to be a complete explanation of all of the tax related risks that relate to the purchase, ownership and disposition of the Securities. Notwithstanding, any potential purchaser of Securities should note the risk that the Issuer may be deemed to be a tax resident in PRC which, if it were to occur, may result in, inter alia, PRC withholding tax being imposed on payments made to Holders and/or PRC taxes being imposed on any gains realised as a result of any disposal or other transfer of the Securities. In such circumstances, the value of the relevant Holder's investment may be materially and adversely affected. For further information, see the "Taxation" section below.*

### **The Issuer may be deemed to be a PRC tax resident enterprise by the PRC tax authorities and certain withholding taxes may be applicable.**

The Issuer is incorporated under the laws of the British Virgin Islands. Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of China will be deemed as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25 per cent. in respect of their income sourced from both within and outside China. The "**de facto management body**" is defined as the organisational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "**de facto management bodies**" for foreign enterprises that are controlled by PRC enterprises. Most of the Issuer's and the Company's directors and senior management are currently based inside China and they may keep their respective books of account inside China. The above elements may be relevant for the tax authorities to determine whether the Issuer is a PRC resident enterprise for tax purposes.

It remains unclear how the PRC tax authorities will interpret such a broad definition. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or the Company is within the territory of PRC, the Issuer may be deemed as a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. in respect of its income sourced from both within and outside PRC.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that they are considered as "a PRC tax resident enterprise" for the purpose of the EIT Law. As such, non-resident enterprise holders of the Securities will not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of the holding of the Securities or any repayment of principal and payment of interest made thereon by the Issuer. However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future.

Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment within the PRC shall pay enterprise income tax at the rate of 10 per cent. on its income sourced inside the PRC, unless a lower rate is available under an applicable tax treaty and such income tax shall be withheld by sources with the PRC payer acting as the obligatory withholding, withholding the tax amount from each payment or payment due. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer will be required to withhold income tax from the payments of interest in respect of the Securities to any non-PRC enterprise Holder, and any gain realised by non-PRC enterprise Holders from the transfer of the Securities may be regarded as being derived from sources within the PRC and accordingly would be subject to a 10 per cent. PRC withholding tax, unless a lower rate is available under an applicable tax treaty. While the Holders are non-PRC individuals, the above-mentioned rate shall be 20 per cent., unless a lower rate is applicable.

**Gains on the transfer of the Securities may be subject to income tax under PRC tax laws.**

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Securities by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “**non-resident enterprise**” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Securities by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Securities minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Holders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Securities.

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

**The Issuer may elect to redeem the Securities in whole, but not in part, if it is required to pay additional tax amounts in respect of PRC withholding tax, and a Holder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Securities.**

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuer will be treated as a PRC tax resident enterprise for the purposes of the EIT Law. If the Issuer is treated as a PRC tax resident enterprise and is required to withhold tax from the distributions on the Securities, the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Holders of such amounts as would have been received by them had no such withholding been required. As described under Condition 5(c) of the Terms and Conditions, if the Issuer is required to pay additional tax amounts as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Securities in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount together with any distribution accrued to (but excluding) the date fixed for redemption. The date on which the Issuer elects to redeem the Securities may not accord with the preference of particular Holders. In addition, a Holder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Securities.

## TERMS AND CONDITIONS OF THE SECURITIES

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

The U.S.\$900,000,000 in aggregate principal amount of 6.50 per cent. unsubordinated guaranteed perpetual securities (the “**Securities**”, which expression includes any further securities issued pursuant to Condition 14 (*Further Issues*) and forming a single series therewith) of Coastal Emerald Limited (the “**Issuer**”) was authorised by a written resolution of the directors of the Issuer passed on 16 May 2024. The Securities are guaranteed by Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)(the “**Company**”). The Securities have the benefit of a deed of guarantee (the “**Deed of Guarantee**”) dated 30 May 2024 executed by the Company and the Trustee (as defined below). The giving of the Guarantee of the Securities was authorised by the resolutions of the board of directors of the Company dated 27 September 2023. The Securities are constituted by, are subject to, and have the benefit of, a trust deed dated 30 May 2024 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Trust Deed**”) between the Issuer, the Company and China CITIC Bank International Limited as trustee (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of an agency agreement dated 30 May 2024 (as the same may be amended, restated, modified, supplemented, replaced or novated from time to time, the “**Agency Agreement**” and, together with the Trust Deed and the Deed of Guarantee, the “**Contracts**”) between the Issuer, the Company, China CITIC Bank International Limited as registrar (in that capacity, the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Securities) and transfer agent (in that capacity the “**Transfer Agent**”, which expression includes any successor or additional transfer agents appointed from time to time in connection with the Securities), China CITIC Bank International Limited as principal paying agent (the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Securities), the paying agents appointed from time to time thereunder (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Securities), the calculation agent (the “**Calculation Agent**”, which expression includes any successor or additional calculation agents appointed from time to time in connection with the Securities) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent, the Calculation Agent and the Paying Agents and any reference to an “**Agent**” is to any one of them.

Certain provisions of these terms and conditions (these “**Conditions**”) are summaries of the Contracts and are subject to their detailed provisions. The Holders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those of the other Contracts that are applicable to them. Copies of the Contracts are available for inspection following prior written request and satisfactory proof of holding by Holders during normal business hours (between 9:00 am and 3:00 pm Monday to Friday, public holidays excepted) at the specified offices of each of the Agents, the initial specified offices of which are set out below.

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

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

- (a) *Form and denomination*: The Securities are in registered form in the denomination of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each, an “**Authorised Denomination**”).

- (b) *Status of the Securities*: The Securities constitute direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without any preference or priority among themselves and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, other than those preferred by applicable law.
- (c) *Guarantee of the Securities*: The Company has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Securities (the “**Guarantee of the Securities**”) and under the Trust Deed. The Guarantee of the Securities constitutes direct, general, unconditional, unsubordinated and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, other than those preferred by applicable law.

*Upon issue, the Securities will be evidenced by a global Certificate (the “Global Certificate”) substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depository for Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”) and will be exchangeable for individual Certificates only in the circumstances set out therein.*

## 2. REGISTER, TITLE AND TRANSFERS

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) outside the United Kingdom and the PRC in respect of the Securities in accordance with the provisions of the Agency Agreement. In these Conditions, the “**Holder**” or “**Securityholder**” of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Holder**” and “**Securityholders**” shall be construed accordingly. The Securities are evidenced by certificates (each, a “**Certificate**”) and each Certificate shall evidence the entire holding of Securities by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Title*: The Holder of each Security shall (except as ordered by a court of competent jurisdiction or otherwise required by law) be treated as the absolute owner of such Security for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer, duly completed) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such Holder.
- (c) *Transfers*: Subject to Conditions 2(f) (*Closed periods*) and 2(g) (*Regulations concerning transfers and registration*) below, a Security may be transferred (in whole or in part) upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however*, that a Security may not be transferred unless the principal amount of Securities transferred and (where not all of the Securities held by a Holder are being transferred) the principal amount of the balance of Securities not transferred are in Authorised Denominations. Where not all the Securities represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Securities will be issued to the transferor and a further new Certificate in respect of the part

transferred shall be issued to the transferee. In the case of a transfer of Securities to a person who is already a holder of Securities, a new Certificate evidencing the enlarged holding shall only be issued against the surrender of the Certificate evidencing the existing holding.

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

- (d) *Registration and delivery of Certificates:* Within five business days of the surrender of a Certificate in accordance with Condition 2(c) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount of the Securities transferred to each relevant Holder at its specified office or (as the case may be) the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder.

*Except in the limited circumstances described herein, owners of interests in the Securities will not be entitled to receive physical delivery of Certificates.*

- (e) *No charge:* The transfer of a Security will be effected without charge to the relevant Holder by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such pre-funding, security or indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (f) *Closed periods:* No Holders may require the transfer of a Security to be registered during the period of 15 days ending on (and including) the due date for any payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities.
- (g) *Regulations concerning transfers and registration:* All transfers of Securities and entries on the Register are subject to the detailed regulations concerning the transfer of Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Holder following prior written request and satisfactory proof of holding.

### **3. CERTAIN COVENANTS**

- (a) *Negative Pledge*

So long as any Security remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Company shall, and each of the Issuer and the Company shall procure that none of their respective Subsidiaries (other than any Listed Subsidiary and its Subsidiaries) will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or any Guarantee or indemnity of Relevant Indebtedness without (1) at the same time or prior thereto securing the Securities equally and rateably therewith or (2) providing such other security for the Securities as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Securityholders.

(b) *Financial Statements*

So long as any Security remains outstanding (as defined in the Trust Deed), the Company shall send to the Trustee:

- (i) as soon as they are available and in any event not more than 180 days after the end of each financial year, a copy in Chinese (together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants or (y) a professional translation service provider, and checked by a nationally recognised firm of independent accountants, and a certificate in English signed by an Authorised Signatory of the Company certifying that such translation is complete and accurate) of its audited consolidated annual financial statements (including but not limited to the balance sheet, income statement, statement of cash flows and statement of changes in shareholders' equity, each on a consolidated basis) prepared in accordance with the accounting principles generally accepted in the PRC for the relevant financial year (together with any reports including any directors' and auditors' reports and notes attached to or intended to be read with any of them);
- (ii) as soon as they are available and in any event not more than 120 days after the end of each semi-annual financial period, a copy of its unaudited semi-annual financial statements (including balance sheet, income statement, statement of cash flows and statement of changes in shareholders' equity) in Chinese (together with an English translation of the same translated by (x) a nationally recognised firm of independent accountants or (y) a professional translation service provider, and checked by a nationally recognised firm of independent accountants, and a certificate in English signed by an Authorised Signatory of the Company certifying that such translation is complete and accurate) prepared on a basis consistent with the most recent audited financial statements (together with any reports including any directors' and auditors' reports and notes attached to or intended to be read with any of them); and
- (iii) within 14 days of a written request by the Trustee and at the time of provision of the annual financial statements pursuant to Condition 4(b)(i) above, a Compliance Certificate (on which the Trustee may rely conclusively as to such Compliance Certificate).

(c) *Issuer Activities*

For so long as any Security remains outstanding, the Issuer shall not, and the Company will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issuance of debt or other securities (including the Securities) (such activities shall, for the avoidance of doubt, include without limitation (i) the offering, sale or issuance of such debt or other securities; (ii) the incurrence of Relevant Indebtedness represented by such debt or other securities; (iii) the offering, sale or issuance of Relevant Indebtedness as permitted under these Conditions; (iv) the on-lending of the proceeds of the issue of such debt or other securities to the Company or any of the Company's other Subsidiaries as it may direct; and (v) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence).

(d) *SAFE Registration*

The Company undertakes that it will (i) file or cause to be filed with the Shandong Branch of SAFE, the Deed of Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 and any implementation rules or guidelines as issued by SAFE from time to time

(“**Cross-border Security Registration**”), (ii) use all reasonable endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined below), (iii) on or before the Registration Deadline and within five PRC Business Days after the receipt of the registration record from SAFE or any other document evidencing the completion of registration issued by SAFE, provide the Trustee with (1) copies of the relevant SAFE registration record relating to the Cross-border Security Registration or any other document evidencing the completion of registration issued by SAFE certified in English as a true and complete copy of the original by an Authorised Signatory (as defined in the Trust Deed) of the Company and (2) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Company confirming the completion of the Cross-border Security Registration (the items specified in (1) and (2) together, the “**Registration Documents**”), and (iv) comply with all applicable PRC laws and regulations in relation to the Cross-border Security Registration. In addition, the Company shall, within five PRC Business Days after copies of the Registration Documents are delivered to the Trustee, give notice to the Securityholders (in accordance with Condition 15 (*Notices*)) confirming the completion of the Cross-border Security Registration.

The Trustee shall have no obligation to monitor, assist with or ensure the registration of the Deed of Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-border Security Registration and/or the Registration Documents or to give notice to the Securityholders confirming the completion of the Cross-border Security Registration, and shall not be liable to Securityholders or any other person for not doing so.

(e) *NDRC Post-issue Filing*

The Company undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC (“**NDRC**”) the requisite information and documents within the timeframes prescribed by the NDRC after the Issue Date (as defined in Condition 19 (*Definitions*)) in accordance with the Administrative Measures for the Review and Registration of Mid- to Long-Term Foreign Debt of Enterprises (NDRC Order No. 56)(企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC and which came into effect on 10 February 2023 and any implementation rules as issued by the NDRC from time to time (the “**NDRC Order 56**”) and comply with all applicable PRC laws and regulations (including any implementation rules, laws and regulations as issued by the NDRC from time to time) in relation to the Securities promulgated thereunder from time to time. In particular, the Company shall file or cause to be filed with the NDRC the requisite information and documents to complete the initial post-issue filing in respect of the Securities with the NDRC within 10 PRC Business Days after the Issue Date in accordance with the NDRC Order 56 (the “**NDRC Post-issue Filing**”), and shall, within 10 PRC Business Days after submission of the NDRC Post-issue Filing, provide the Trustee with a certificate in English substantially in the form scheduled to the Trust Deed signed by an Authorised Signatory of the Company confirming the submission of the NDRC Post-issue Filing and having attached to it documents evidencing submission of the NDRC Post-issue Filing. In addition, the Company shall, within 10 PRC Business Days after copies of the documents evidencing the completion of the NDRC Post-issue Filing are delivered to the Trustee, give notice to the Securityholders confirming the completion of the NDRC Post-issue Filing.

The Trustee shall have no obligation or duty to monitor or ensure the completion of the NDRC Post-issue Filing within the timeframe referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other documents in relation to

or in connection with the NDRC Post-issue Filing or to give notice to the Securityholders confirming the completion of the NDRC Post-issue Filing, and shall not be liable to any Securityholder or any other person for not doing so.

#### 4. DISTRIBUTION

- (a) *Distribution*: Subject to Condition 4(d) (*Distribution Deferral*) below, the Securities confer a right to receive distributions (each, a “**Distribution**”) from, and including the Issue Date at the Distribution Rate in accordance with this Condition 4 (*Distribution*). Subject to Condition 4(d) (*Distribution Deferral*) below, Distributions shall be payable on the Securities semi-annually in arrear on 30 May and 30 November of each year (each, a “**Distribution Payment Date**”), commencing on 30 November 2024.

Subject to this Condition 4 (*Distribution*) and in respect of the period from, and including, the Issue Date to, but excluding, 30 May 2027 (the “**First Reset Date**”), the amount of a Distribution payable on each Distribution Payment Date shall be U.S.\$32.50 per Calculation Amount. As used herein, “**Calculation Amount**” means US\$1,000.

If any Distribution is required to be calculated in respect of a period of less than a semiannual period, it shall be calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

- (b) *Rate of Distribution*: Subject to any increase pursuant to Condition 4(e) (*Increase in Distribution Rate following occurrence of certain event*) below, the rate of distribution (“**Distribution Rate**”) applicable to the Securities shall be:
- (i) in respect of the period from, and including, the Issue Date to, but excluding, the First Reset Date, the Initial Distribution Rate; and
  - (ii) in respect of the period (A) from, and including, the First Reset Date to, but excluding, the Reset Date falling immediately after the First Reset Date, and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate.
- (c) *Distribution Accrual*: Unless otherwise provided for in these Conditions, each Security will cease to confer the right to receive any Distribution from and including the due date for redemption unless, upon due presentation, payment of the full amount due is improperly withheld or refused. In such event, Distribution shall continue to accrue as provided in the Trust Deed. In such latter event, Distribution will continue to accrue at the applicable Distribution Rate (both before and after judgement) up to but excluding whichever is the earlier of (i) the date on which all sums due in respect of such Security are received by or on behalf of the relevant Holder and (ii) the day which is seven days after the Principal Paying Agent or the Trustee has notified the Holders that it has received all sums due in respect of the Securities up to such seventh day (except to the extent that there is a failure in the subsequent payment to the relevant Holders under these Conditions).
- (d) *Distribution Deferral*:
- (i) *Optional Deferral*: The Issuer may, at its sole discretion, elect to defer (in whole or in part) any Distribution which is otherwise scheduled to be paid on a Distribution Payment Date to the next Distribution Payment Date by giving notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent in writing not less than seven business days prior to the relevant Distribution Payment Date. Any partial payment of any Distribution by the Issuer shall be shared by the Holders of all outstanding Securities on a *pro rata* basis.



- (ii) *No obligation to pay*: The Issuer shall have no obligation to pay any Distribution (including any Arrears of Distribution and any Additional Distribution Amount) on any Distribution Payment Date if it validly elects not to do so in accordance with Condition 4(d)(i) (*Optional Deferral*) above.
- (iii) *Cumulative Deferral*: Any Distribution deferred pursuant to this Condition (4)(d) (*Distribution Deferral*) shall constitute “**Arrears of Distribution**”. The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(d)(i) (*Optional Deferral*) above) to further defer (in whole or in part) any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of Distribution. The Issuer is not subject to any limit as to the number of times Distribution and Arrears of Distribution can be deferred pursuant to this Condition (4)(d) (*Distribution Deferral*) except that Condition 4(d)(iv) (*Restrictions in the case of Deferral*) shall be complied with until all outstanding Arrears of Distribution and Additional Distribution Amount have been paid in full.

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

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

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

For the avoidance of doubt, the Issuer's right of optional deferral pursuant to Condition 4(d)(i) (*Optional Deferral*) will not be affected solely as a result of the incurrence of any Parity Securities or Junior Securities.

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

The Issuer:

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

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

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

- (vi) *No default*: Notwithstanding any other provision in these Conditions or in the Trust Deed, the deferral of any Distribution payment in accordance with this Condition 4(d) (*Distribution Deferral*) shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 8 (*Non-payment*)) on the part of the Issuer or the Company under the Securities or the Guarantee of the Securities or for any other purpose.
- (e) *Increase in Distribution Rate following occurrence of certain events*:
  - (i) *Increase in Distribution Rate*: Upon the occurrence of a Step-Up Event, unless (x) an irrevocable notice in writing to redeem the Securities has been given by the Issuer to Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent pursuant to Condition 5 (*Redemption and Purchase*) by the 30th day following the occurrence of the relevant Step-Up Event or (y) the relevant Step-Up Event is remedied by the 30th day following the occurrence of such relevant Step-Up Event, the Distribution Rate will increase by 3.00 per cent. per annum with effect from (a) the next Distribution Payment Date immediately following the occurrence of the relevant Step-Up Event or (b) if the date on which the relevant Step-Up Event (as applicable) occurs is prior to the most recent preceding Distribution Payment Date, such Distribution Payment Date; *provided that* the maximum aggregate increase in the Distribution Rate pursuant to this Condition 4(e) (*Increase in Distribution Rate following occurrence of certain event*) shall be 3.00 per cent. per annum and the Distribution Rate shall not exceed the Maximum Distribution Rate. For the avoidance of doubt, any increase in the Distribution Rate pursuant to this Condition 4(e) (*Increase in Distribution Rate following occurrence of certain event*) is separate from and in addition to any change in the Distribution Rate pursuant to Condition 4(b)(ii) above.

Any increase in the Distribution Rate pursuant to this Condition 4(e) (*Increase in Distribution Rate following occurrence of certain event*) shall be notified by the Issuer to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Agents in writing no later than the 30th day following the occurrence of the relevant Step-Up Event.

- (ii) *Decrease in Distribution Rate*: If following an increase in the Distribution Rate after a Step-Up Event, such Step-Up Event is cured or no longer exists, upon written notice of such facts being given to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent, the Distribution Rate shall be decreased by 3.00 per cent. per annum with effect from (and including) the Distribution Payment Date immediately following the date falling 30 days after the date on which the Trustee receives notice of the cure of such Step-Up Event *provided that* the maximum aggregate decrease in the Distribution Rate pursuant to this Condition 4(e) (*Increase in Distribution Rate following occurrence of certain event*) shall be 3.00 per cent. per annum.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Step-Up Event or any event which could lead to a Step-Up Event has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

## 5. REDEMPTION AND PURCHASE

- (a) *No fixed redemption*: The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (without prejudice to Condition 8 (*Non-payment*)) only have the right to redeem or purchase them in accordance with the following provisions of this Condition 5 (*Redemption and Purchase*).
- (b) *Redemption at the option of the Issuer*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)):
- (i) on any date from and including 30 April 2027 (being the date that falls one month prior to the First Reset Date) to and including the First Reset Date; or
  - (ii) on any Distribution Payment Date after the First Reset Date (each, a "**Call Date**"). On expiry of any such notice as is referred to in this Condition 5(b) (*Redemption at the option of the Issuer*), the Issuer shall be bound to redeem the Securities on the relevant Call Date in accordance with this Condition 5(b) (*Redemption at the option of the Issuer*).
- (c) *Redemption for taxation reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), and in writing to the Trustee and the Principal Paying Agent, at their principal amount, together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer (or the Company, as the case may be) satisfies the Trustee that, as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or application of such laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change or amendment (x) in the case of the Company or the Issuer becomes effective on or after 23 May 2024 and (y) in the case of any successor to the Company or the Issuer becomes effective on or after the date such successor assumes the Company's or the Issuer's obligations, as applicable, under the Securities, the Trust Deed and/or the Guarantee of the Securities (each a "**Gross-Up Event**"),
- (i) (A) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Securities to pay Additional Amounts with respect to the Securities as provided or referred to in Condition 7 (*Taxation*) and (B) such obligation cannot be avoided by the use of reasonable measures available to the Issuer or any successor person, as the case may be; or
  - (ii) (A) the Company is or (if a demand was made under the Guarantee of the Securities) would be required on the next succeeding due date for a payment with respect to the Securities to pay Additional Amounts as provided or referred to in Condition 7 (*Taxation*) and (B) such obligation cannot be avoided by the use of reasonable measures available to the Company or any successor person, as the case may be,

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

Prior to the publication of any notice of redemption pursuant to this Condition 5(c) (*Redemption for taxation reasons*), the Issuer (or the Company, as the case may be) shall deliver or procure that there is delivered to the Trustee (1) a certificate signed by one Authorised Signatory of the Issuer (or the Company, as the case may be) stating that the circumstances referred to in Condition 5(c)(i) above prevail and setting out the details of such circumstances or (as the case may be) a certificate signed by one Authorised Signatory of the Company stating that the circumstances referred to in Condition 5(c)(ii) above prevail and setting out details of such circumstances and (2) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or (as the case may be) the Company has or will become obliged to pay such Additional Amounts as a result of such change or amendment. The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out in Condition 5(c)(i) and 5(c)(ii) above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this Condition 5(c) (*Redemption for taxation reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(c) (*Redemption for taxation reasons*).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether an event as referred to in this Condition 5(c) (*Redemption for taxation reasons*) has occurred or may occur and none of them shall be liable to the Holders, the Issuer, the Company or any other person for not doing so.

- (d) *Redemption for accounting reasons*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on the Issuer giving not less than 30 nor more than 60 days' irrevocable notice (in accordance with Condition 15 (*Notices*)) to the Holders, the Trustee and the Principal Paying Agent (which notice shall be irrevocable) at their principal amount, together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), if, immediately before giving such notice, the Issuer satisfies the Trustee that, as a result of any changes or amendments to, or a change or amendment to the general application or any interpretation of, the Accounting Standards for Business Enterprises in the PRC, the HKFRSs or any other generally accepted accounting standards that may be adopted by the Company or the HK Holdco for the purposes of preparing their respective consolidated financial statements (each, the "**Relevant Accounting Standards**"), the Securities in whole or in part must not or must no longer be recorded as "**equity**" of the Company or the HK Holdco, as the case may be, in its consolidated financial statements pursuant to the Relevant Accounting Standards (an "**Accounting Event**").

Prior to the publication of any notice of redemption pursuant to this Condition 5(d) (*Redemption for accounting reasons*), the Issuer shall deliver or procure that there is delivered to the Trustee:

- (A) a certificate, signed by one Authorised Signatory of the Company, stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and that such Accounting Event cannot be avoided by the Company or the HK Holdco, as the case may be, taking reasonable measures available to it; and

- (B) an opinion, in form and substance satisfactory to the Trustee, of the independent auditors of the Company or the HK Holdco, as the case may be, stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to, or the relevant change or amendment to the relevant interpretation of, the Relevant Accounting Standards is due to take effect,

*provided, however,* that no notice of redemption may be given under this Condition 5(d) (*Redemption for accounting reasons*) earlier than 90 calendar days prior to the date on which the relevant change or amendment to, or the relevant change or amendment to the relevant application or interpretation of, the Relevant Accounting Standards is due to take effect.

Upon the expiry of any such notice as is referred to in this Condition 5(d) (*Redemption for accounting reasons*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(d) (*Redemption for accounting reasons*); *provided that* such date for redemption shall be no earlier than the last day before the date on which the Securities must not or must no longer be so recorded as “**equity**” of the Company or the HK Holdco, as the case may be, pursuant to the Relevant Accounting Standards.

The Trustee shall be entitled to accept and rely upon such certificate and opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) of this Condition 5(d) (*Redemption for accounting reasons*), in which event it shall be conclusive and binding on the Holders.

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether an Accounting Event or any event which could lead to an Accounting Event has occurred or may occur and none of them shall have any obligation or duty to verify the accuracy, validity and/or genuineness of any documents in relation to or connection with the Relevant Accounting Standards, and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

- (e) *Redemption for Change of Control*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, on giving not less than 30 nor more than 60 days’ irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent at:
- (i) 101 per cent. of their principal amount, together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time before 30 April 2027 (being the date that falls one month prior to the First Reset Date); or
  - (ii) their principal amount, together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount), at any time on or after 30 April 2027 (being the date that falls one month prior to the First Reset Date),

if a Change of Control occurs.

Prior to the publication of any notice of redemption pursuant to this Condition 5(e) (*Redemption for Change of Control*), the Issuer shall deliver or procure that there is delivered to the Trustee a certificate, signed by one Authorised Signatory of the Company, stating that the circumstances referred to above in this Condition 5(e) (*Redemption for Change of Control*) prevail and setting out the details of such circumstances.

The Trustee shall be entitled to accept and rely upon such certificate (without further investigation or enquiry) as sufficient evidence of the satisfaction of the circumstances set out above, in which event it shall be conclusive and binding on the Holders. Upon the expiry of any such notice as is referred to in this Condition 5(e) (*Redemption for Change of Control*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(e) (*Redemption for Change of Control*).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

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

Upon the expiry of any such notice as is referred to in this Condition 5(f) (*Redemption for a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(f) (*Redemption for a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event*).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event, or any event which could lead to a Breach of Covenant Event, a Relevant Indebtedness Default Event or a Dividend Stopper Breach Event has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

- (g) *Redemption for minimum outstanding amount*: The Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' irrevocable notice to the Holders (in accordance with Condition 15 (*Notices*)), the Trustee and the Principal Paying Agent at their principal amount (together with any Distribution accrued to (but excluding) the date fixed for redemption (including any Arrears of Distribution and any Additional Distribution Amount)) if prior to the date fixed for redemption at least 80 per cent. in principal amount of the Securities originally issued has been redeemed or purchased and cancelled. Upon the expiry of any such notice as is referred to in this Condition 5(g) (*Redemption for minimum outstanding amount*), the Issuer shall be bound to redeem the Securities in accordance with this Condition 5(g) (*Redemption for minimum outstanding amount*).

Neither the Agents nor the Trustee shall be required to monitor or to take any steps to ascertain whether an event as referred to in this Condition 5(g) (*Redemption for minimum outstanding amount*) has occurred or may occur and none of them shall be liable to Holders, the Issuer, the Company or any other person for not doing so.

- (h) *No other redemption*: The Issuer shall not be entitled to redeem the Securities otherwise than as provided in Conditions 5(a) (*No fixed redemption*) to 5(g) (*Redemption for minimum outstanding amount*) above.
- (i) *Purchase*: The Issuer, the Company or any of their respective Subsidiaries may at any time purchase Securities in the open market or otherwise and at any price.
- (j) *Cancellation*: All Securities so redeemed or purchased by the Issuer, the Company or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold.
- (k) *Calculations*: Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption, or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection thereto, and shall not be liable to the Holders or any other person for not doing so.

## 6. PAYMENTS

- (a) *Principal*: Payments of principal shall be made by transfer to a U.S. dollar account maintained by the payee and (i) (in the case of redemption) upon surrender, or (ii) (in the case of part payment only) upon endorsement of the relevant Certificates at the specified office of any Paying Agent.
- (b) *Distribution*: Payments of Distribution (including any Arrears of Distribution and any Additional Distribution Amount) shall be made by transfer to a U.S. dollar account maintained by the payee and (i) (in the case of Distribution payable on redemption) upon surrender, or (ii) (in the case of part payment only) upon presentation of the relevant Certificates at the specified office of any Paying Agent.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Securities are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*) any law implementing an intergovernmental approach thereto). No commissions or expenses shall be charged to the Holders in respect of such payments.
- (d) *Payments on business days*: Payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated (i) (in the case of payments of principal and Distribution payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, presented) at the specified office of a Paying Agent and (ii) (in the case of payments of Distribution payable other than on redemption) on the due date for payment. A Holder of a Security shall not be entitled to any Distribution or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day.
- (e) *Record date*: Each payment in respect of a Security will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar’s specified office on the fifteenth day before the due date for such payment.



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

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

## 7. TAXATION

- (a) *Gross up:* All payments of principal, premium (if any) and Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities and/or the Guarantee of the Securities by or on behalf of the Issuer or the Company shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands, Hong Kong, the PRC or any jurisdiction in which the Issuer or the Company is incorporated, resident or doing business for tax purposes, any jurisdiction through which payments are made, or any political subdivision thereof or any authority therein or thereof having power to tax (each a “**Relevant Jurisdiction**”), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law.

In the event the Issuer or the Company is required to make such deduction or withholding, the Issuer or the Company, as the case may be, shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Security:

- (i) by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Security; or
- (ii) by or on behalf of a Holder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder, which is legally capable and competent of making such a declaration or claim, fails to do so within any applicable period prescribed by such relevant tax authority; or
- (iii) (in the case of a payment of principal) in respect of which the Certificate is surrendered (where required to be surrendered) more than 30 calendar days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such Additional Amounts if it had presented such Certificate for payment on the last day of such period of 30 calendar days.

- (b) *Taxing jurisdiction*: If the Issuer or the Company (or any successor of the Issuer or the Company) becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands or the PRC, references in these Conditions to the Relevant Jurisdiction shall be construed to include such other jurisdiction.

Any reference in these Conditions to principal or Distribution, Arrears of Distribution or Additional Distribution Amount shall be deemed to include any Additional Amounts in respect of such principal or Distribution, Arrears of Distribution or Additional Distribution Amount (as the case may be) which may be payable under this Condition 7 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 7 (*Taxation*) pursuant to the Trust Deed.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 7 (*Taxation*) or otherwise in connection with the Securities or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Company, the Holders or any other person to pay such tax, duty, charges, withholding or other payment in any jurisdiction or be responsible to provide any notice or information in relation to the Securities in connection with payment of such tax, duty, charges, withholding or other payment imposed by or in any jurisdiction.

## 8. NON-PAYMENT

- (a) *Non-payment when due*: Notwithstanding any of the provisions below in this Condition 8 (*Non-Payment*), the right to institute proceedings for Winding-Up of the Issuer or the Company is limited to circumstances where payment has become due and is unpaid. In the case of any Distribution, such Distribution will not be due if the Issuer has elected to defer that Distribution in accordance with Condition 4(d)(i) (*Optional Deferral*) to Condition 4(d)(iii) (*Distribution Deferral*).
- (b) *Proceedings for Winding-Up*:
- (i) If (A) there is a Winding-Up of the Issuer or (B) the Issuer shall not make payment in respect of the Securities or under the Trust Deed, for a period of 14 days or more after the date on which such payment is due, the Issuer and the Company shall be deemed to be in default under the Trust Deed, the Securities and the Guarantee of the Securities and the Trustee may, subject to the provisions of Condition 8(d) (*Entitlement of Trustee*) below, institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment.
- (ii) Without prejudice to Condition 8(b)(i), if (A) there is a Winding-Up of the Company or (B) the Company shall not make payment in respect of the Guarantee of the Securities or the Trust Deed for a period of 14 days or more after the date on which such payment is due, the Company shall be deemed to be in default under the Trust Deed and the Guarantee of the Securities and the Trustee may, subject to the provisions of Condition 8(d) (*Entitlement of Trustee*) below, institute proceedings for the Winding-Up of the Issuer or the Company, prove in the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company for such payment.
- (c) *Enforcement*: Without prejudice to Condition 8(b) (*Proceedings for Winding-Up*) but subject to the provisions of Condition 8(d) (*Entitlement of Trustee*) below, the Trustee may at its discretion and without notice to the Issuer or the Company take such steps and/or action and/or institute such proceedings against the Issuer or the Company as it may think fit to enforce any term or condition binding on the Issuer or the Company under the Contracts, the

Securities or the Guarantee of the Securities, as the case may be (other than any payment obligation of the Issuer or the Company under or arising from the Securities, the Guarantee of the Securities, the Trust Deed or the Deed of Guarantee, including, without limitation, payment of any principal, premium (if any) or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, including any damages awarded for breach of any obligations), and in no event shall the Issuer or the Company, by virtue of the institution of any such steps, actions or proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it. The rights and remedies of the Trustee and the Holders under the Securities and the Contracts are cumulative and not exclusive of any rights or remedies provided by law.

- (d) *Entitlement of Trustee*: The Trustee shall not be obliged to take any of the actions referred to in Condition 8(b) (*Proceedings for Winding-Up*) or 8(c) (*Enforcement*) above against the Issuer or the Company to enforce the terms of the Contracts, the Securities or the Guarantee of the Securities, as the case may be, unless (A) it shall have been so requested by an Extraordinary Resolution of the Holders or in writing by the Holders of at least 25 per cent. of the aggregate principal amount of the Securities then outstanding and (B) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction and to be paid its fees, costs, expenses, indemnity payments and other accounts in priority to the claims of the Holders in accordance with the Trust Deed.
- (e) *Right of Holders*: No Holder shall be entitled to proceed directly against the Issuer or the Company or to institute proceedings for the Winding-Up of the Issuer or the Company or claim in the liquidation of the Issuer or the Company or to prove in such Winding-Up unless the Trustee, having become so bound to proceed or being able to prove in such Winding-Up or claim in such liquidation, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer or the Company as those which the Trustee is entitled to exercise as set out in this Condition 8 (*Non-Payment*).
- (f) *Extent of Holders' remedy*: No remedy against the Issuer or the Company, other than as referred to in this Condition 8 (*Non-Payment*), shall be available to the Trustee or the Holders, whether for the recovery of amounts owing in respect of the Securities or the Guarantee of the Securities or under the Trust Deed or Deed of Guarantee or in respect of any breach by the Issuer or the Company of any of their respective other obligations thereunder or in respect thereof.

## **9. PRESCRIPTION**

Claims against the Issuer and/or the Company for payment in respect of the Securities shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date in respect of them.

## **10. REPLACEMENT OF CERTIFICATES**

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or such other Paying Agent or Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Securityholders in accordance with Condition 15 (*Notices*), subject to all applicable laws, regulations, stock exchange or other relevant authority requirements, upon payment by the claimant of the fees, costs and expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Security is subsequently presented for payment, there shall be paid to the Issuer on

demand the amount payable by the Issuer in respect of such Securities) and otherwise as the Issuer or the Registrar may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **11. TRUSTEE AND AGENTS**

Under the Trust Deed, the Trustee is entitled to be indemnified and/or secured and/or pre-funded and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Holders. In addition, the Trustee is entitled to enter into business transactions with the Issuer, the Company and any entity relating to the Issuer or the Company without accounting for any profit therefore to the Holders or any person.

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

In acting under the Agency Agreement and in connection with the Securities, the Agents act solely as agents of the Issuer, the Company and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The Issuer and the Company reserve the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, or registrar or calculation agent and additional or successor paying agents and transfer agents; *provided, however, that:*

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

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

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

- (a) *Meetings of Holders:* The Trust Deed contains provisions for convening meetings of Holders to consider matters relating to the Securities, including the modification of any provision of these Conditions or any Contract. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and the Company (acting together) or by the Trustee and shall be convened by the Trustee subject to its being first indemnified, secured and/or pre-funded to its satisfaction, upon the request in writing of Holders holding not less than 10 per cent. of the aggregate principal amount of the outstanding Securities. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing more than 50 per cent. of the aggregate principal amount of the outstanding Securities or, at any adjourned meeting, two or more Persons being or representing Holders whatever the principal amount of the Securities held or represented; *provided, however,* that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Holders at which two or more Persons holding or representing not less than two-thirds or, at any adjourned meeting, one quarter of

the aggregate principal amount of the outstanding Securities form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Holders, whether present or not.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Securities, who for the time being are entitled to receive notice of a meeting of Holders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Holders.

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

- (b) *Modification, authorisation and waiver:* The Trustee may, without the consent of the Holders, agree to any modification of these Conditions or any Contract (in each case, other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Holders and to any modification of the Securities or any Contract which is of a formal, minor or technical nature or is to correct a manifest error or is to comply with any mandatory provision of applicable laws.

In addition, the Trustee may (but shall not be obliged to), without the consent of the Holders, authorise or waive any proposed breach or breach of these Conditions or any provision of the Securities or any Contract (in each case, other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Holders will not be materially prejudiced thereby.

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

- (c) *Directions from Holders:* Notwithstanding anything to the contrary in these Conditions or any Contract, whenever the Trustee is required or entitled by the terms of these Conditions or any Contract to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Holders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions, or in the event that no such direction or clarification is given to the Trustee by the Holders.
- (d) *Substitution or Variation:* If a Special Event has occurred and is continuing, then the Issuer may at its option, subject to Condition 4 (*Distribution*) (without any requirement for the consent or approval of the Holders) and subject to it having satisfied the Trustee immediately prior to the giving of any notice referred to in this Condition 12(d) (*Substitution and Variation*) that the provisions of this Condition 12(d) (*Substitution and Variation*) have been

complied with, and having given not less than 30 nor more than 60 days' irrevocable notice in writing to the Trustee and the Principal Paying Agent and, in accordance with Condition 15 (*Notices*), to the Holders, at any time either (i) substitute all, but not some only, of the Securities for, or (ii) vary the terms of the Securities with the effect that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the following provisions of this Condition 12(d) (*Substitution and Variation*) and subject to the receipt by it of the certificate of (x) one Authorised Signatory of the Issuer and (y) of an Independent Investment Bank referred to in the definition of Qualifying Securities, on which the Trustee may rely absolutely) agree to such substitution or variation. Any such substitution or variation agreed to by the Trustee as aforesaid shall be binding on the Holders.

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

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

In these Conditions:

- (i) “**Special Event**” means a Gross-Up Event, an Accounting Event or any combination of the foregoing; and
- (ii) “**Qualifying Securities**” means securities that:
  - (A) have terms not materially less favourable to an investor than the terms of the Securities, *provided that*
    - (1) they are issued by the Issuer or any Finance Subsidiary of the Company, *provided that* the Company shall own and control, directly or indirectly at least 50.1 per cent. of the Voting Rights of such Subsidiary;
    - (2) they are unconditionally and irrevocably guaranteed by the Company; and
    - (3) they (or, as appropriate, the guarantee as aforesaid) shall rank *pari passu* with the Securities on a Winding-Up of the issuer or the guarantor thereof, shall preserve the Holders' rights to any Arrears of Distribution, any Additional Distribution Amount and any other payment that has accrued with respect to the relevant securities, and shall contain terms which provide at least for the same Distribution Rate (including the distribution amount receivable thereunder), Distribution Payment Dates and redemption events, from time to time applying to the Securities and otherwise have substantially identical (as reasonably determined by the Issuer) terms to the Securities, save where any modifications to such terms are required to be made to resolve a Gross-Up Event or, as the case may be, an Accounting Event;
  - (B) have been, or will on issue be, assigned at least the same credit rating as that assigned by the Rating Agencies to the Securities immediately prior to such substitution or variation; and

(C) are listed on or by the Singapore Exchange Securities Trading Limited or another securities exchange of international standing regularly used for the listing and quotation of debt securities offered and traded in the international markets,

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

### **13. ENFORCEMENT**

The Trustee may at any time, at its absolute discretion and without notice, institute such actions, steps or proceedings as it thinks fit to enforce its rights under the Contracts and in respect of the Securities, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the Holders of at least 25 per cent. of the aggregate principal amount of the outstanding Securities or has been so directed by an Extraordinary Resolution; and
- (b) it has been indemnified, prefunded and/or secured to its satisfaction.

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

### **14. FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Holders and in accordance with the Trust Deed, create and issue further securities having the same terms and conditions as the Securities in all respects (or in all respects except for the issue date, the issue price, the first payment of Distribution, the timing for completion of the NDRC Post-issue Filing and the Cross-border Security Registration) so as to be consolidated and form a single series with the Securities. Any further securities forming a single series with the outstanding securities constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

### **15. NOTICES**

Notices to the Holders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

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

### **16. GOVERNING LAW AND JURISDICTION**

- (a) *Governing law:* The Securities and the Contracts and any non-contractual obligations arising out of or in connection therewith are governed by and shall be construed in accordance with English law.
- (b) *Jurisdiction:* Each of the Issuer and the Company has in the Contracts (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a “**Dispute**”) arising out of or in connection with the Securities and the Contracts (including any

noncontractual obligations arising out of or in connection therewith); and (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient. Each of the Issuer and the Company has irrevocably agreed to receive service of process at Shandong Hi-Speed Holdings Group Limited (山高控股集團有限公司), 38/F, The Center, 99 Queen's Road Central, Hong Kong, in any related legal action or proceeding in Hong Kong.

- (c) *Waiver of immunity*: To the extent that the Issuer or the Company may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), each of the Issuer and the Company agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

## 17. CURRENCY INDEMNITY

If any sum due from the Issuer or the Company in respect of the Securities or any order or judgment given or made in relation thereto has to be converted from the currency (the “**first currency**”) in which the same is payable under these Conditions or such order or judgment into another currency (the “**second currency**”) for the purpose of (a) making or filing a claim or proof against the Issuer or the Company, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Securities, the Issuer and the Company shall indemnify the Trustee and each Securityholder, on the written demand of the Trustee or such Securityholder addressed to the Issuer and the Company and delivered to the Issuer and the Company, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which the Trustee or such Securityholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of each of the Issuer and the Company and shall give rise to a separate and independent cause of action.

## 18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Securities, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 19. DEFINITIONS

In these Conditions:

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

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

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

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



“**Asset-Backed Security**” has the meaning ascribed to it in Section 3(a)(77) of the U.S. Securities Exchange Act of 1934;

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

“**business day**” means: (a) in respect of Condition 2 (*Register, Title and Transfers*), a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the Transfer Agent has its specified office; (b) in respect of Condition 4 (*Distribution*), any day on which banks are open for general business (including dealings in foreign currencies) in London, Hong Kong and New York and in the place in which the specified office of the Principal Paying Agent is located; and (c) in respect of Condition 6 (*Payments*), (other than a Saturday or a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and on which banks and foreign exchange markets are open for business in New York City and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, in the place in which the Certificate is surrendered (or, as the case may be, endorsed);

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

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

- (a) (a) Shandong SASAC and (b) any other person controlled by the central government of the PRC (such person and the Shandong SASAC) together cease to control (whether directly or indirectly or in combination) the Company; or
- (b) the Company ceases to own not less than 40.0 per cent. of the issued share capital of HK Holdco or ceases to be the single largest shareholder of the HK Holdco; or
- (c) the HK Holdco ceases to wholly own (whether directly or indirectly or in combination) the issued share capital of the Issuer;

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

“**Comparable Treasury Price**” means with respect to the relevant Reset Date, the average of three Reference Treasury Dealer Quotations (or such lesser number as is received by the Issuer) for such Reset Date; if the Comparable Treasury Price cannot be determined in accordance with the above provisions, as determined by the Independent Investment Bank;

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

- (a) no Step-Up Event, or any event or circumstance which could, with the giving of notice, lapse of time, the issuing of a certificate and/or fulfilment of any other requirement provided for in Condition 8 (*Non-Payment*), become a Step-Up Event had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event or circumstance had occurred, giving details of it; and

- (b) each of the Issuer and the Company has complied with all its obligations under the Trust Deed, the Securities and the Deed of Guarantee or, if non-compliance had occurred, giving details of it;

“**control**” means, with respect to a Person, either (i) the ownership, acquisition or control of more than 50 per cent. of the Voting Rights of the issued share capital of such Person, whether obtained directly or indirectly, or (ii) the right to appoint and/or remove all or the majority of the members of the Person’s board of directors or other governing body, whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing;

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

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

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

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

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

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

“**First Reset Date**” has the meaning ascribed to it in Condition 4(a) (*Distribution*);

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

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

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

*provided that*, for the purposes of this definition, “**indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

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

“**Guarantee of the Securities**” has the meaning ascribed to it in Condition 1(c) (*Guarantee of the Securities*);

“**HK Holdco**” means Shandong Hi-Speed Holdings Group Limited (山高控股集團有限公司);

“**HKFRSs**” means the Hong Kong Financial Reporting Standards;

“**Holder**” has the meaning ascribed to it in Condition 2(a) (*Register*);

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

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

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

“**Initial Distribution Rate**” means 6.50 per cent. per annum;

“**Issue Date**” means 30 May 2024;

“**Junior Securities**” means (a) in respect of the Issuer, any class of the Issuer’s share capital (including without limitation any preference shares) and any Subordinated Indebtedness issued or guaranteed by the Issuer; and (b) in respect of the Company, any class of the Company’s share capital (including without limitation any preference shares) and any Subordinated Indebtedness issued or guaranteed by the Company;

“**Listed Subsidiary**” means any Subsidiary of the Company the shares of which are at the relevant time listed on any stock exchange and any Subsidiary of such Listed Subsidiary;

“**Maximum Distribution Rate**” means (a) in respect of each Distribution Payment Date, the period from, and including, the Issue Date to, but excluding, the First Reset Date, the Initial Distribution Rate plus 3.00 per cent. per annum; and (b) in respect of the period (A) from, and including the First Reset Date, to, but excluding, the Reset Date falling immediately after the First Reset Date, and (B) from, and including, each Reset Date falling after the First Reset Date to, but excluding, the immediately following Reset Date, the Relevant Reset Distribution Rate plus 3.00 per cent. per annum;

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

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

“**Permitted Security Interest**” means:

- (a) any Security Interests existing on the Issue Date;
- (b) any Security Interest created in respect of Relevant Indebtedness in the form of, or represented by, notes, debentures, bonds or other debt securities exchangeable for or convertible into treasury shares or shares in any other company listed on a stock exchange;
- (c) any Security Interest created in respect of Relevant Indebtedness incurred to provide all or any portion of the funds utilised to consummate a transaction or series of related transactions pursuant to which any Person becomes a Subsidiary or was otherwise acquired by the Company; or
- (d) any Security Interest existing on any undertaking, property, assets or revenues of any person at the time such person becomes a Subsidiary of the Company or such undertaking, property, assets or revenues are acquired by the Company or any Subsidiary of the Company *provided that* no such Security Interest shall extend to other undertaking, property, assets or revenues of such person or the Company or any Subsidiary of the Company;

“**Person**” means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

“**PRC**” means the People’s Republic of China (excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan);

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

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

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

**“Reference Treasury Dealer Quotations”** means, with respect to each Reference Treasury Dealer and any Reset Date, the average as determined by the Calculation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer and the Calculation Agent by such Reference Treasury Dealer at 5:00 p.m. on the third business day (as defined in this Condition 19 (*Definitions*)) pursuant to Condition 4 (*Distribution*)) preceding such Reset Date;

**“Register”** has the meaning ascribed to it in Condition 2(a) (*Register*);

**“Registration Deadline”** means the day falling 150 calendar days after the Issue Date;

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

**“Relevant Date”** means whichever is the later of (a) the date on which the payment in question first becomes due, and (b) if the full amount payable has not been received by the Principal Paying Agent in accordance with the provision of the Agency Agreement on or prior to such due date, the date on which the full amount has been received and notice to that effect has been given to the Holders;

**“Relevant Indebtedness”** means any present or future Indebtedness incurred outside the PRC which is in the form of or represented by any bond, note, loan stock, certificate or other securities which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) but shall not, for the avoidance of doubt, include any Indebtedness which is an Asset-Backed Security;

**“Relevant Indebtedness Default Event”** means the occurrence of one or more of the following events (and such event is continuing): (a) any Indebtedness of the Issuer, the Company or any of their respective Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (b) any such Indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Company or (as the case may be) the relevant Subsidiary or (*provided that* no event of default, howsoever described, has occurred) any person entitled to such Indebtedness, or (c) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Indebtedness; *provided that* the amount of Indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any Guarantee referred to in subparagraph (c) above individually or in the aggregate exceeds US\$30,000,000 (or its equivalent in any other currency or currencies);

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

**“Relevant Reset Distribution Rate”** means a rate of distribution expressed as a percentage per annum equal to the sum of (a) the US Treasury Benchmark Rate, (b) the initial spread of 1.781 per cent. and (c) a margin of 3.00 per cent. per annum;

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

**“Reserved Matter(s)”** means any proposal to change any date fixed for payment of principal or Distribution (including any Arrears of Distribution and any Additional Distribution Amount) in respect of the Securities, to reduce the amount of principal or Distribution (including any Arrears

of Distribution and any Additional Distribution Amount) payable on any date in respect of the Securities, to alter the method of calculating the amount of any payment in respect of the Securities or the date for any such payment, to change the currency of any payment under the Securities, to effect the exchange, conversion or substitution of the Securities for other obligations or securities, to amend Condition 3 (*Certain Covenants*) (other than amendments made pursuant to Condition 12(b) (*Modification, authorisation and waiver*)), to amend the terms of the Guarantee of the Securities or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

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

“**Shandong SASAC**” means the State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government or its successor;

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

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

“**Subsidiary**” means, in relation to any Person (the “**first Person**”), any other Person which at any time has its accounts consolidated with those of the first Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such other Person from time to time, should have its accounts consolidated with those of the first Person;

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

“**Voting Rights**” means the right generally to vote at a general meeting of shareholders of a person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency, and any such voting power shall therefore be excluded for the purpose of this definition); and

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

## GLOBAL CERTIFICATE

The Securities will be represented by a global certificate (the “**Global Certificate**”) and the Global Certificate contains certain provisions which modify the effect of the Terms and Conditions of the Securities. Terms defined in the Terms and Conditions of the Securities and the Trust Deed have the same meaning in the paragraphs below. The following is a summary of those provisions and other provisions related to the Global Certificate:

### **Meeting**

The registered holder of, or a proxy for the registered holder of, the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of a meeting of holders of the Securities and, at any such meeting, as having one vote in respect of each US\$1,000 in principal amount of the Securities for which the Global Certificate is issued. The Trustee may allow a person with an interest in the Securities to attend and speak at a meeting of holders of the Securities on appropriate proof of his identity and interest.

### **Cancellation**

Cancellation of any Securities represented by the Global Certificate which is required by the Terms and Conditions of the Securities to be cancelled shall be effected by a reduction in the principal amount of the Securities in the Global Certificate and in the register of holders of the Securities.

### **Payment**

Payments of principal, distributions and premium (if any) in respect of any Securities represented by the Global Certificate will be made without presentation, or if no further payment falls to be made in respect of the Securities, against presentation and surrender, of the Global Certificate.

So long as the Securities is represented by the Global Certificate and such Global Certificate is held on behalf of held on behalf of Euroclear or Clearstream or any Alternative Clearing System, the Issuer will, *inter alia*, pay distribution in respect of the Securities at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Securities represented by the Global Certificate.

Each payment will be made to, or to the order of, the person whose name is entered on the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payment, where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January.

### **Notices**

So long as the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Securities may be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the terms and conditions of the Securities.

### **Transfers**

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

**Trustee's Powers**

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

**Issuer Redemption**

The Issuer's option in Conditions 5(b) to 5(g) may be exercised by the Issuer giving notice to the Trustee within the time limits set out in and containing the information required by Conditions 5(b) to 5(g) and Condition 15.



## **USE OF PROCEEDS**

The gross proceeds of the issue of the Securities will be US\$900,000,000. The Group intends to use such proceeds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offering of the Securities, for refinancing and general corporate purposes.

## EXCHANGE RATE INFORMATION

### PRC

PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorized the China Foreign Exchange Trading Center, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 am each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over-the-counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollars from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. Effective since 11 August 2015, market makers are required to quote their central parity rates for Renminbi against the U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. The PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on 30 September 2016 that, effective on 1 October 2016, the Renminbi was added to its Special Drawing Rights currency basket. The PRC government has since made and in the future may make future adjustments to the exchange rate system.

The following table sets forth the exchange rate of the Renminbi against the U.S. dollar. The exchange rate refers to the Noon Buying Rate as set forth in the weekly H.10 statistical release of the U.S. Federal Reserve Board:

Period	Renminbi per U.S. Dollar Noon Buying Rate <sup>(1)</sup>			
	End	Average <sup>(2)</sup>	High	Low
	<i>(RMB per US\$1.00)</i>			
2019 . . . . .	6.9618	6.9014	7.1786	6.6822
2020 . . . . .	6.5250	6.8878	7.1681	6.5208
2021 . . . . .	6.3726	6.4508	6.5716	6.3435
2022 . . . . .	6.8972	6.7290	7.3048	6.3084
2023 . . . . .	7.0999	7.0896	7.3430	6.7010
2024				
January . . . . .	7.1673	7.1707	7.1961	7.1426
February . . . . .	7.1977	7.1935	7.1982	7.1799
March . . . . .	7.2203	7.2015	7.2289	7.1804
April . . . . .	7.2401	7.2374	7.2464	7.2305
May (through 10 May 2024) . . . . .	7.2260	7.2264	7.2405	7.2071

*Notes:*

- (1) Exchange rates between the Renminbi and U.S. dollar represent the noon buying rates as set forth in the H.10 statistical release of the Federal Reserve Board.
- (2) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

## CAPITALISATION AND INDEBTEDNESS OF THE GROUP

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2023 on an actual basis and on an adjusted basis after giving effect to the issuance of the Securities. This following table should be read in conjunction with the Company's Audited Historical Consolidated Financial Statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2023			
	Actual		As adjusted	
	<i>RMB</i>	<i>US\$<sup>(4)</sup></i>	<i>RMB</i>	<i>US\$<sup>(4)</sup></i>
Short-term borrowing . . . . .	43,945,725,331.02	6,189,625,956.85	43,945,725,331.02	6,189,625,956.85
Notes payable . . . . .	20,075,158,542.82	2,827,526,943.03	20,075,158,542.82	2,827,526,943.03
Non-current liabilities due within one year. . . . .	62,787,257,513.36	8,843,400,261.04	62,787,257,513.36	8,843,400,261.04
<b>Short-term debt . . . . .</b>	<b>126,808,141,387.20</b>	<b>17,860,553,160.92</b>	<b>126,808,141,387.20</b>	<b>17,860,553,160.92</b>
Long-term borrowing. . . . .	388,158,255,178.03	54,670,946,798.97	388,158,255,178.03	54,670,946,798.97
Bonds payable . . . . .	87,568,278,527.61	12,333,734,070.57	87,568,278,527.61	12,333,734,070.57
<b>Long-term debt. . . . .</b>	<b>475,726,533,705.64</b>	<b>67,004,680,869.54</b>	<b>475,726,533,705.64</b>	<b>67,004,680,869.54</b>
<b>Total debt<sup>(1)</sup>. . . . .</b>	<b>602,534,675,092.84</b>	<b>84,865,234,030.46</b>	<b>602,534,675,092.84</b>	<b>84,865,234,030.46</b>
Securities to be issued <sup>(2)</sup> . . . . .	–	–	6,389,910,000.00	900,000,000.00
<b>Total equity . . . . .</b>	<b>385,829,781,089.48</b>	<b>54,342,988,082.86</b>	<b>392,219,691,089.48</b>	<b>55,242,988,082.86</b>
<b>Total capitalisation<sup>(3)</sup>. . . . .</b>	<b>988,364,456,182.32</b>	<b>139,208,222,113.31</b>	<b>994,754,366,182.32</b>	<b>140,108,222,113.31</b>

Notes:

- (1) Total debt equals the sum of short-term debt and long-term debt.
- (2) This amount represents the aggregate principal amount of Securities to be issued, before deducting the fees and commissions, offering discounts and other expenses payable by the Issuer in connection with the issuance of the Securities.
- (3) Total capitalisation equals the sum of total debt and total equity (including securities to be issued, if applicable).
- (4) For convenience only, all translations from Renminbi into U.S. dollars are made at the rate of RMB7.0999 to US\$1.00, based on the noon buying rate as set forth in the H. 10 statistical release of the Federal Reserve Bank of New York on 29 December 2023.

There has been no material change in the consolidated capitalisation and indebtedness of the Group since 31 December 2023.

In the ordinary course of business, the Group may incur additional debt or borrowings, including Renminbi denominated borrowings or debt securities in China.

## **DESCRIPTION OF THE ISSUER**

### **Overview**

Coastal Emerald Limited is a BVI business company incorporated with limited liability under the laws of the British Virgin Islands on 21 July 2014. The Issuer's company number is 1833812. Its registered office is located at Sea Meadow House, P.O. Box 116, Road Town, Tortola, British Virgin Islands. The Issuer is an indirectly wholly-owned subsidiary of SDHG.

### **Business Activity**

Under the memorandum of association of the Issuer, the Issuer has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction that is not prohibited under any law or legislation for the time being in force in the British Virgin Islands. The Issuer does not sell any products or provide any services and has undertaken no business activities since the date of its incorporation, other than those incidental to its incorporation and establishment as a direct subsidiary of Perfect Waters Limited and those incidental to the issue of debt securities. The Issuer has not since the date of its incorporation and will not carry on or undertake business in the British Virgin Islands.

### **Directors and Officers**

The directors of the Issuer are Mr. Liu Zhijie and Mr. Liu Yao. None of the directors of the Issuer holds any shares or options to acquire shares of the Issuer. The Issuer does not have any employees and has no subsidiaries.

### **Share Capital**

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 shares, each with no par value and of a single class and one share has been issued and is held by Perfect Waters Limited. From time to time, the Issuer may issue debt securities in various currencies and tenor depending on market conditions.

### **Financial Statements**

Under BVI law, the Issuer is not required to publish condensed 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 accounts as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions. Effective from 1 January 2023, the Issuer is also required to file a financial annual return with its registered agent within 9 months after the end of each year to which the financial annual return relates.

## DESCRIPTION OF THE GROUP

### OVERVIEW

The Guarantor was established by the Shandong Government as a wholly state-owned enterprise under the direct supervision of the SSASAC. SSASAC, on behalf of Shandong Government, acts as the Guarantor's majority shareholder and holds the shares of the Guarantor together with Shandong Caixin and Shandong Guohui. Leveraging its advantages in its core expressway and railway businesses, the Group has grown into a modernised, international and efficient transportation and infrastructure conglomerate. The Guarantor, through its subsidiaries and affiliates, is principally engaged in the investment in, and construction, operation and management of various transportation and infrastructure facilities. The Group's businesses can be divided into the following segments:

- expressway;
- railway;
- construction;
- trading;
- financial services; and
- emerging industry and other businesses.

The Group is the largest provincially supervised state-owned enterprise in Shandong province and the largest infrastructure developer in Shandong province in terms of total assets as at 31 December 2023. It is also an industry leader in terms of total assets as at 31 December 2023. As at and for the years ended 31 December 2021, 2022 and 2023, the Group's total assets ranked first and profits ranked among the top, respectively, among all state-owned enterprises directly supervised by Shandong Government. It was the only state-owned enterprise in Shandong province that was awarded the Special Award (First Class)(省管企業特別獎勵一等獎) by Shandong Government in 2015. In recent years, the Group has won a series of awards, including the "Provincial Civilised Highway System", "National Civilised Traffic System", "Provincial Civilised Unit", "Chinese Most Honest Enterprise", one of the "60 Outstanding Enterprises in the 60 Years of New China", "National High Customer Satisfaction Enterprise", "China Charity Award", "Shandong Top Ten Responsible Enterprises", "Shandong Excellent Corporation", "Shandong AAA Credit Enterprise", "Shandong Excellent Enterprise in the 30 Years of Reform and Opening-up", "Shandong Governor Quality Award", "Representative Unit of Intellectual Property Protection of Shandong Province" by the Intellectual Property Office of Shandong province, the "Innovative Technology Award", "Best Product Award", "Classic Engineering Work Award" by the China Highway and Transportation Society, "May 1st Labour Award" by Shandong province and the first prize in the Shandong Expressway Maintenance Staff Skills Group Competition. The Group is among the first batch of "Enhanced Financing Monitoring Issuers" selected by the Shanghai Stock Exchange.

As at 31 December 2023, the Group had established its presence across the PRC and 40 foreign countries and regions. Since 2006, the Guarantor has been for 16 consecutive years named as one of the “Top 500 Chinese Enterprises” by the China Enterprise Confederation/China Enterprise Directors Association (CEC/CEDA)(中國企業聯合會／中國企業家協會). Since 2009, the Group has been awarded and maintained an AAA rating by China Chengxin International Rating Co., Ltd (中誠信國際信用評級有限責任公司)(“CCXI”). The Group has also been awarded an AAA rating by Dagong Global Credit Rating Co., Ltd (大公國際資信評估有限公司)(“Dagong”) from 2015 until the date of this Offering Circular. The Group has also been awarded an AAA rating by China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司)(“Lianhe”) for the years 2021 and 2022, and by Golden Credit Rating International Co., Ltd. (東方金誠國際信用評估有限公司)(“Golden Credit”) for the year 2019.

The Guarantor was originally established in 1997 and was converted into a wholly state-owned enterprise by Shandong Government under the direct supervision of SSASAC in 1999. The Guarantor officially commenced its business in 2001 under the name of Shandong Province Hi-Speed Expressways Limited Liability Company (山東省高速公路有限責任公司)(“SPHEL”) and subsequently in 2002, the Guarantor was recognised as a large wholly state-owned enterprise by Shandong Province Economic and Trade Commission (山東省經貿委) and Shandong Province Statistics Bureau (山東省統計局). In 2005, SSASAC became the sole shareholder of the Guarantor, and the Guarantor’s name was changed to Shandong Province Expressways Group Co., Ltd (山東省高速公路集團有限公司). In 2008, with the approval of SSASAC, the Guarantor’s name was further changed to its current name, Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司). In 2018, pursuant to the Notice of SSASAC and Shandong Social Security Fund regarding Amendment to the Articles of Association of Shandong Hi-Speed Group (《省人民政府國有資產監督管理委員會、山東社保基金理事會關於修訂〈高速集團有限公司章程〉的通知》) published by Shandong Government, Shandong Guohui and Shandong Provincial Council for Social Security Fund (山東省社會保障基金理事會) became minority shareholders of the Guarantor, holding 20 per cent. and 10 per cent. of the equity interest in the Guarantor, respectively. In March 2023, pursuant to the requirements of the Approval of Shandong Government on Agreeing to Establish Provincial Administrative and Institutional State-owned Asset Operating Enterprises and Promoting the Reform of the Provincial Council for Social Security Fund (Lu Zheng Zi [2020] No. 168) (《山東省人民政府關於同意組建省屬行政事業性國有資產運營公司和推進生社保基金理事會改革工作有關事項的批覆》(魯政字[2020]168號)) and the Notice on Further Accelerating the Subsequent Work of State-owned Capital Transfer to Social Security Funds (Lu Cai Zi [2021] No. 21)(《關於進一步加快推進國有資本劃轉社保基金後續工作的通知》(魯財資[2021]21號)), all equity interest held by Shandong Provincial Council for Social Security Fund in the Guarantor was transferred to Shandong Caixin.

As at 31 December 2021, 2022 and 2023, the Group’s total assets amounted to approximately RMB1,139.8 billion, RMB1,322.6 billion and RMB1,513.7 billion, respectively; its net assets amounted to approximately RMB293.5 billion, RMB366.8 billion and RMB385.8 billion, respectively. For the years ended 31 December 2021, 2022 and 2023, the consolidated operating revenue of the Group was approximately RMB201.6 billion, RMB231.8 billion and RMB260.1 billion, respectively, and its consolidated net profit was approximately RMB11.8 billion, RMB11.5 billion and RMB12.5 billion, respectively.

## KEY STRENGTHS AND COMPETITIVE ADVANTAGES

The Group believes that it has the following key strengths and competitive advantages:

### **An industry leader in expressways with strong market share, an established operational track record, quality assets and leading construction capability**

The Group has, since its inception in 1997, firmly established its position as an industry leader in the investment in, and the construction, operation and management of, roads, expressways, bridges and tunnels in Shandong province. The expressway industry in which the Group operates has high barriers to entry, which has limited the competition from new entrants. High capital requirements, limited land

supply and a long investment cycle create natural barriers for potential competitors to commence operations in the expressway business. Hence, the Group is able to develop and maintain its leadership position and market share in the expressway business.

In addition, the Group has built up a strong and stable asset portfolio of quality expressway and railway and an established operational track record. As at 31 December 2023, the Group operated expressways with a total length of approximately 8,745 kilometres, of which approximately 7,059 kilometres are in Shandong province. This is an increase from previous years when the total length of the expressways operated by the Group was approximately 8,265.6 kilometres as at 31 December 2022. With the expansion of the Group's scale, the Group is striving to increase its share in the expressway market across the PRC while consolidating its market control in Shandong province. In recent years, the Group has also been exploring and investing in new projects both in and outside Shandong province and looking for opportunities to increase profits. For example, the Qilu Merger in November 2020 has enabled the Group to undertake more major transportation projects, hence further strengthening its competitiveness to become an industry-leading enterprise that engages in the investment in and construction, operation and management of transportation infrastructure, contributing to the development of a strong province and a strong nation featured by its transportation system. The consolidated resources in the transportation industry allows the Group to better consolidate, operate and manage other non-expressway transportation assets. As at 31 December 2023, the expressways operated by the Group in Shandong province covers approximately 84 per cent. of the expressways in Shandong province.

The Group is also a main railway operator in Shandong province. As at 31 December 2023, the Group operates and manages railways in a total length of approximately 634.0 kilometres. The Dajiawa-Laizhou-Longkou Railway is an important part of building the “four vertical and four horizontal” hi-speed passenger access network in Shandong province.

The Group has been named as one of the “Top 500 Chinese Enterprises” by the China Enterprise Confederation/China Enterprise Directors Association (CEC/CEDA)(中國企業聯合會／中國企業家協會) for the past 16 consecutive years. Since 2009, the Group has been awarded and maintained an AAA rating by CCXI. The Group has also been awarded an AAA rating by Dagong from 2015 until the date of this Offering Circular. As at the date of this Offering Circular, the Group has also been awarded an AAA rating by Golden Credit and Lianhe. The Group has also received many awards and accolades, in recognition of its outstanding achievement in the design and construction of its projects. For example, the Qingdao Jiaozhou Bay Bridge constructed by the Group has won the George Richardson Award, the 12th National Tien-yow Jeme Civil Engineering Prize, the highest award that enjoys wide recognition both domestically and internationally, Belgrade China Cultural Centre Building project was awarded the 2022 China Construction Engineering Luban Prize and the Nanjing Yangtze River Fourth Bridge received the 17th Tien-yow Jeme Civil Engineering Prize.

Attributable to its solid asset portfolio and strong track record accumulated over the years, and by leveraging its extensive expertise, the Group is well-positioned to undertake more projects in the future.

### **A unique geographical advantage**

The Group conducts its business primarily in Shandong province. Shandong is one of the richest and fastest growing provinces in China. Its GDP experienced a relatively fast and stable growth over the past decade and the investment in fixed assets has also maintained fast growth in Shandong province. It is also a large coastal province and acts as a key transport hub between the Bohai Economic Rim and the Yangtze River Delta Economic Zone of the PRC. The Beijing Economic Rim lies to the north of Shandong province, while the Yangtze River Delta Economic Zone lies to the south of Shandong province. Located in the intersection of the Yellow River Economic Belt and the Bohai Economic Rim and the junction between Northern China and Eastern China, Shandong province plays a significant role in PRC's economic development.



As a major transport and logistics hub with a significant demand for roads, Shandong province is proactively developing its transport network, in particular expressways, and other modes of transportation.

Attributable to the continuous economic growth in the Bohai Economic Rim and the close cooperation and frequent economic exchanges between Shandong province and the Yangtze River Delta, the freight volume and passenger volume in these regions are expected to increase steadily, thus creating higher demand for transportation services in Shandong province in the future. As a pioneer and leader in the expressway industry in Shandong province, the Group believes that it is well-positioned to seize the opportunity brought by the economic growth and social investment in fixed assets in Shandong province to achieve further growth.

### **Continued support from Shandong Government**

As a leading enterprise in Shandong province, the Group shoulders the responsibility for the construction of infrastructure and contributes to the development of other state-owned enterprises as well as the economic development in Shandong province. Attributable to its leading position in Shandong province, the Group has received support from Shandong Government in asset allocation, funding, business and personnel designation. Throughout the development history of the Group, Shandong Government has supported the Group in the expansion of its business through resource procurement and financing. For example, in 2004, Shandong Government increased the registered capital of Shandong Infrastructure Construction Company Limited (山東基建股份有限公司) (“**SD Infrastructure Construction**”) by allocating it with a capital contribution in the amount of approximately RMB2.1 billion. During the same year, SSASAC transferred 70 per cent. of equity interest it held in Shandong Road & Bridge to SPHEL. In 2020, the Group entered into a financial cooperation agreement with China Development Bank, pursuant to which the bank agreed to provide the Group with an RMB144.9 billion credit facility during China’s fourteenth five-year plan (from 2021 to 2025). Also, according to the Lu administrative document number [1999] 136 (魯政字[1999]136號文件) and Lu state-owned enterprise document number [1999] 27 (魯國資企字[1999]27號文件), the Guarantor is, and will be, responsible for the centralised financing, construction and operation of a majority of the expressways, roads and bridges in operation and under construction in Shandong province. The Qilu Merger also demonstrates the reform of the state-owned enterprises in Shandong province and will create synergies in the investment in, and construction and operation of transportation system in Shandong province.

The Group has also undertaken a variety of key projects, including:

- the construction of railways across Shandong province and the planning, construction and transport management of local railways, inter-city railways and rail transit infrastructure, such as the Gaoqing-Shanghe Expressway (高青至商河公路), the Jinan-Jining New Airport Section of Jinan-Weishan Expressway (濟南至微山公路濟南至濟寧新機場段), the expansion of the Dongying-Qingzhou Section of Changchun-Shenzhen Expressway (長深高速東營至青州改擴建), the expansion of the Xiaoxujia Hub-Yaoqiang Airport Section of Eastern Line of Jinan Ring Expressway (濟南繞城高速東線小許家樞紐至遙牆機場段改擴建), the expansion of the Xiaoxujia-Ganggou Section of Jinan Ring Expressway (濟南繞城高速公路小許家至港溝段改擴建), the Linyi-Tengzhou Expressway (臨沂至滕州公路), the expansion of the Qihe-Jinan Section of Beijing-Taipei Expressway (京臺高速齊河至濟南段改擴建), the expansion of the Jinan-Heze Section of Jinan-Guangzhou Expressway (濟廣高速公路濟南至荷澤段改擴建), the expansion of the Weihai-Yantai Section of Rongcheng-Wuhai Expressway (榮烏高速威海至煙海高速段改擴建), the expansion of the Wendeng District-Shuangdao Bay Science and Technology City Section of Rongcheng-Wuhai Expressway (榮烏高速文登區至雙島灣科技城段改擴建工程), the expansion of the Liangcheng-Fenshui Section of Shenyang-Haikou Expressway (沈海高速公路兩城至汾水段改擴建工程) and the expansion of the Yantai Hub-Penglai Hub Section of Rongcheng-Wuhai Expressway (榮烏高速煙臺樞紐至蓬萊樞紐段改擴建); and

- cooperation projects launched by the PRC government in support of the foreign economic development, such as the construction of the Serbia Chinese Cultural Centre, the first two-way China-Europe freight train route linking Qingdao with Mannheim, the Central Bank Office Building in Republic of South Sudan and the Banja Luka-Prijedor Highway Project in Republic of Srpska.

### **Diversified business portfolio that generates a stable cashflow and reduces cyclical risks**

Centring on transportation, the Group has developed diversified businesses with balanced growth, including transportation-related businesses that are long-term and of low returns and low volatility, and the financial services and urban management business that is of high returns and high volatility. The Group's diversified businesses enable the Group to prevent cyclical risks, as the adverse effects of a downturn in one business segment can be offset by an upturn in another. For example, with its high-speed and inter-city railway business and expressway business, the Group is able to provide diversified means of transport for the public, hence the growth in one business is able to compensate the slowdown in the other when people switch between private and public transport. In addition, while consolidating its business and market position in Shandong province, the Group has expanded its business to other regions in the PRC and to 40 foreign countries and regions as at 31 December 2023. It has undertaken a number of landmark projects overseas, including, among others, Dhaka Airport Elevated Expressway, Banja Luka-Prijedor Highway in Republic of Srpska, Kenya A13 Road LOT3 Project, China Cultural Centre in Serbia, Real Estate Projects in Ghana, China-Sudan Agricultural Cooperation Development Zone, Juba-Rumbek Highway in Southern Sudan, the fifth section of the railway from the port of Maribaya in Guinea to the Simandou mining area, Novi Sad-Subotica-State Border NS-II Section of Hungary-Serbia Railway, Serbia "Danube Corridor" Expressway, Chittagong Elevated Expressway, supply of concrete sleeper and bridge sleeper for the railway construction from Maribaya port in Guinea to Simandou mining area, operation of China-Railway Express (Qilu), Belgrade underground parking lot, Africa-Shandong Industrial Park in Uganda, Serbia Valjevo Expressway, M1 highway upgrading project of Malawi Capital Airport and Reconstruction, Expansion of Algeria SIDI-ARCINE LPG Distribution Centre, Bahamas National Stadium and Bandaranaike International Exhibition Centre. The revenue contribution from operations outside Shandong province also decreases the Group's dependence on the economic development in Shandong province and provides the Group with a strong and stable operating cashflow. The Group has also established strategic partnership with Tencent for the development of a smart transportation system, aiming to promote the transformation and upgrading of the transportation system in Shandong province. In terms of strategic investment, in alignment with the directive requirements of the Shandong Provincial Government, a total of RMB43.3 billion has been allocated for equity investments in industries such as high-speed rail, aviation, ports and other fields, including but not limited to 20.10 per cent. shares in Shandong Marine Group Ltd., 29.39 per cent. shares in Shandong Airlines Co., Ltd., 32.25 per cent. shares in Shandong Railway Investment Holding Group Co., Ltd. and 14.14 per cent. shares in Shandong Port Group Co., Ltd. More recently on 28 December 2023, SDHG, through its two direct wholly-owned subsidiaries completed the purchase of a total of 650,424,192 shares in VNET Group, Inc. (世紀互聯集團股份有限公司) ("VNET"), representing 42.12 per cent. of the enlarged total outstanding shares of VNET for a consideration of US\$299,000,000. These investments contribute to the construction of Shandong Province's comprehensive three-dimensional transportation network and support the development of state-owned enterprises. For the years ended 31 December 2021, 2022 and 2023, the Group had net operating cash inflows of approximately RMB16.8 billion, RMB17.4 billion and RMB17.9 billion, respectively. A strong operating cashflow is important as it enhances the Group's ability to obtain more financial support to fund its new projects, and withstand shocks and setbacks.

### **Outstanding brand value attributable to world leading construction and research and development capabilities**

In addition to its leading position in Shandong province, the Group has expanded its business to over 30 provinces, cities, municipalities and autonomous regions in the PRC, as well as foreign countries, such as Serbia, Bosnia, Mozambique, Morocco, Uganda, Chad, Algeria, Pakistan, Ethiopia, Bangladesh,

Vietnam, Montenegro, Sudan, Israel, Colombia, East Timor, Thailand, Iraq, United Arab Emirates and South Sudan as at 31 December 2023. Over the past 70 years, the Group has undertaken many landmark projects, such as the Qingdao Jiaozhou Bay Bridge, the Bandaoling Overpass Bridge, the East-West Highway in Algeria, the Hanoi-Hai Phong Expressway in Vietnam and Dhaka Airport Elevated Expressway in Bangladesh.

Its expertise is also evidenced by the various professional qualifications it has obtained, including, among others, a Special-class Highway Construction General Contractor Qualification, a Class A Engineering Design Highway Industry Qualification, a Class A Housing Construction and Municipal Utilities Construction General Contractor Qualification and a Class A Steel Structure, Bridge, Highway Pavement Road-base, Highway Traffic Construction (Road Safety Facilities) Professional Contractor Qualification. As at the date of this Offering Circular, all highways operated by the Group have adopted Electronic Non-Stop Toll Collection System (“ECT”) technology to enable intercommunication among communication, monitoring and toll collection systems, which signifies the Group’s ability to realise automatic toll collection in the future.

In recognition of its leading construction and research and development capabilities, the Group received multiple awards, such as:

- one George Richardson Award for the Group’s Qingdao Jiaozhou Bay Bridge, the “Nobel Prize” of the bridge construction field;
- 2nd price of the National Technology and Innovation Award for the “non-bottom sealing technology in concrete pouring jacket” technique;
- one of the “60 Outstanding Enterprises in the 60 Years of New China”;
- on seven separate occasions, the China Construction Engineering Luban Prize by the China Construction Industry Association (中國建築業協會) and the Ministry of Housing and Urban-Rural Construction of the PRC (中華人民共和國住房和城鄉建設部);
- on 29 occasions, the provincial and ministerial level scientific and technological awards (省部級科技類獎項);
- on nine separate occasions, the Li Chun Award by the Ministry of Transport of the PRC (中華人民共和國交通部);
- on six separate occasions, the Quality Engineering Award by the Ministry of Transport of the PRC (中華人民共和國交通部);
- on two occasions, the National Prize for Scientific and Technological Progress (國家科學進步獎) by an official committee consisting of members from the Ministry of Science and Technology of the PRC (中國科技部), Chinese Academy of Sciences (中國科學院), Chinese Academy of Engineering (中國工程院) and various universities;
- on thirteen separate occasions, the National Gold Award and Silver Award for Quality Engineering and Construction by the Committee of the National Engineering Construction Quality Award (國家工程建設質量獎審定委員會);
- among the 1st batch of “Enhanced Financing Monitoring Issuers” selected by the Shanghai Stock Exchange;
- on two separate occasions, the Scientific and Technological Award by China Highway and Transportation Society (國家公路學會);

- Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎);
- One World Footbridge Prize (世界人行橋獎);
- on three separate occasions, “China National Expressway 30 Years Digitalisation” Awards;
- Top 500 Most Valuable Brands in China;
- Top 500 Most Valuable Brands in the world; and
- the Guarantor was listed on the Fortune Global 500 list for the first time in 2022, ranking 458th.

### **Sound credit profile and access to financing resources**

The Group has a sound credit profile and has traditionally maintained good commercial relationships with different banks, including Industrial and Commercial Bank of China, China Construction Bank, Bank of China, Shanghai Pudong Development Bank, Bank of Communications, Agricultural Bank of China, Citibank, Morgan Stanley, DBS Bank, Standard Chartered Bank, China Development Bank and Export-Import Bank of China. Since 2009, the Group has been awarded and maintained an AAA rating by CCXI. The Group has also been awarded an AAA rating by Dagong from 2015 until the date of this Offering Circular. As at the date of this Offering Circular, the Group has also been awarded an AAA rating by Golden Credit and Lianhe. In recognition of its excellent financial performance, the Group received multiple awards, such as the first batch of issuers contributing to optimisation of financing regulation by Shanghai Stock Exchange, the 2019 Outstanding Corporate Bonds Issuer by ChinaBond, the TDFI Enterprise (a mature level-I enterprise) by the Inter-Bank Market Dealers Association of China and the Outstanding Issuer of Corporate Bonds in 2020 awarded by Shanghai Stock Exchange. This has enabled the Group to access a readily-available source of financing at a relatively low cost.

In addition, as at the date of this Offering Circular, six of the Guarantor’s subsidiaries are publicly listed companies, including SHCL, which is listed on the Shanghai Stock Exchange (stock code: 600350), Shandong Road & Bridge, which is listed on the Shenzhen Stock Exchange (stock code: 000498), and some public companies listed on the Stock Exchange of Hong Kong, including SDHG (stock code: 0412), WCC Bank (stock code: 09677), Qilu Expressway Company Limited (stock code: 1576) and SHNE (stock code: 1250). These publicly listed subsidiaries provide the Group with a convenient capital market financing platform. In addition, the Guarantor was the first in the expressway industry to issue onshore long-term corporate bonds. The Group’s access to both domestic and international capital markets, coupled with its traditional funding channels such as bank loans, has allowed the Group to obtain funds in various forms and issue a wide range of products, including issuance of corporate bonds, medium-term notes and short-term notes. The Group is also actively exploring other funding opportunities, such as private placement and asset-backed securities to widen its financing channels. As at 31 December 2023, the Group had credit facilities of approximately RMB1,316.31 billion, of which RMB602.70 billion was used.

Further, the Group believes in prudential management of its financial resources. The Group believes that these sound financing policies have enabled the Group to secure stable and strong financial support for the Group’s future expansion and development.

### **Comprehensive risk management system**

The Group faces various risks in conducting its business. Therefore, its ability to tackle these risks has become one of its core competitive advantages. The Group has set up sound systems to monitor the development trend in the transportation industry, in accordance with which it makes timely adjustments to its development strategies. In addition, the Group actively looks for new profit growth opportunities to reduce cyclical risks. The Group’s excellent historical performance is a testament to its ability to manage the ups and downs in the development of its diversified businesses. To deal with policy risks, the Group keeps an eye on the development of industry policies, such as the industry’s payment tenor

and credit policies, by conducting national policy research and actively communicating with relevant governmental departments that formulate industry policies. The Group regards investment business as a profit model that enables it to fully capitalise on its integrated business chain, optimise the allocation of its resources and achieve win-win cooperation with its clients. To reduce funding and implementation risks, the Group focuses on managing project and investment risk control measures, including pre-identification, incident management and post evaluation. The Group pays close attention to the strategic significance and economic benefit of each project it conducts. It has set a minimum internal rate of return for its projects. The Group also has prudent decision-making standards and places great importance on the payback ability of investment projects. For example, it requires repurchase guarantees for its Build-Transfer projects and mainly carries out these projects in economically developed areas, and it only undertakes Build-Operate-Transfer model (“BOT”) projects with high operating parameters.

For complex urban projects, the Group tries to achieve a balanced rolling of funds through phased development and innovative business models. In order to manage risks in working capital management and counterparty, the Group seeks to expand its financing channels, direct financing percentage, match its long-term, medium-term and short-term debts, ensure sufficient supply of funds and reduce financing costs. The Group also seeks to strengthen cooperation with banks to increase its credit lines and obtain longer credit periods. It also ensures that its clients are government agencies and state-owned enterprises with strong credit position. In order to control capital expenditure risks, the Group focuses on sustainable growth, maintain asset quality and internally implement prudent management of capital expenditures. Finally, to tackle management risk, the Group implements standardised corporate governance, and routinely establishes and improves the structure of corporate governance and various management systems. The Group also frequently carries out internal and external training for its management personnel to improve their overall quality and management abilities.

#### **Experienced management team with strong execution track record**

The Group has an experienced and innovative management team that possesses a broad range of industry expertise and has a keen focus on the latest development in the industries such as expressway, railway, construction, financial services, trading and information technology. The majority of the member of board of directors are directly appointed by Shandong Government. The Group’s management team has over 27 years of experience in the transport industry and has extensive experience working with the PRC government. The Group has achieved rapid expansion through strategic acquisitions and investments in new business areas under the leadership of the Group’s management team.

The Group has established a governance mechanism featured with discipline and efficiency, scientific decision-making, appropriate balance, and integrated right and responsibility. It clearly defines the rights and responsibility of its shareholders, board of directors and management, and strives to achieve the balance between centralised control of the Group and independence of its subsidiaries.

#### **STRATEGIES**

The main development goal of the Group is to be in line with the development plan of Shandong Government and to focus on its core transportation business and value chain, as well as on the “Top Ten” industries specified in the Shandong provincial economic “New Normal” by leveraging its business reforms and innovation and continually developing projects. The Group aims to develop and expand its new business lines, to continually improve the quality and efficiency of its traditional business lines, to upgrade the operations of its functional (infrastructure) business lines and to optimise its business layout, which would accelerate the Group’s progress of becoming a top tier enterprise at home and abroad.

The Group aims to establish itself as an industry-leading enterprise in the PRC and strives to maintain its status as one of “The Fortune Global 500” enterprises. The Group also aims to upgrade itself to a large-scale, outstanding and resource-saving enterprise with high-quality brand, independent innovation ability and modern management. To achieve the above aims, the Group is focusing on the following strategies:

#### **Promoting the four core transformations of “Innovation, Transformation, Capital and Efficiency”**

The Group is dedicated to promoting the four major transformation strategies of “taking technological innovation as the driving force, industrial transformation and upgrading as the support, capital operation as the entry point, and maximising benefits as the goal”. These transformation strategies entail shifting from highway toll periods to toll-free periods for railroads, ports, shipping, and logistics; transitioning from dependence on financial loans to a focus on capital management; expanding the Group’s business footprint from Shandong province to the rest of China and onto the global stage; and evolving from an emphasis on long-term investments to a balanced approach that includes short-term and medium-term investments.

#### **Continuing to assume the responsibilities of being the major state-owned enterprise of Shandong Government and implement the important mission of infrastructure construction in Shandong province**

The Group will continue to maintain its leading position amongst enterprises in Shandong province and promote the development of state-owned enterprises in Shandong province, hence contributing to the economic growth of Shandong province. It will also strive to actively engage in infrastructure construction projects in Shandong province, realise the value of its business and enhance its brand recognition and management systems by leveraging its industrial advantages so as to contribute to the continuous advancement of the infrastructure in the province.

#### **Maintaining high operational efficiency and seizing suitable expansion opportunities**

The Group intends to build on the success it has achieved by improving the interconnectivity among its business segments and create synergies by making strategic investments that complement its corporate mission, its main businesses and financial needs. Some of the Group’s investments focus on the major construction projects that are of significant strategic importance to the social and economic development of Shandong province and complement the Group’s corporate mission by promoting and advancing the governmental policies. Some investments target at the Group’s current business by optimising and strengthening cooperation between business segments so as to develop the Group into an industry leader. Some other investments focus on the projects that are of low investment, short project cycle and high effectiveness, so as to grow its investment income, thereby supplying the Group with additional liquidity for growing its business.

#### **Establishing a strong foothold regionally and expanding globally**

The Group is actively pursuing a strategy of “going global” to expand its presence from Shandong province to other regions in the PRC and ultimately go globally by seeking investment opportunities in global markets. The Group also aims to undertake projects in line with the promotion of the Belt and Road Initiative. In addition to its vast operations throughout the PRC, it has also participated in overseas projects in East Timor, highway projects in Ghana and Vietnam, a railway project in the Democratic Republic of the Congo and a copper project in Chile, to name a few. Driven by the philosophy of capital management and productive operations, the Group will optimise its business management model, strengthen its internal coordination and consolidate its capital resources to continue to tap into new markets to increase its investment in transportation infrastructure projects and expand the reach of its operations.

### **Enhancing risk management and streamlining organisational structure**

The Group is actively refining its organisational structure with the aim of enhancing risk management processes and strengthening the position of the Guarantor (as the parent company) in directing the Group's strategies, investments and decision-making process. The Group has strived to consolidate sub-industry groups to promote the integration of resources, elimination of internal competition and duplication and unify management in order to strengthen its business competitiveness and internal control. The Group has achieved this through promoting clear ownership systems, audit control, budget management and effective risk and investment management across the Group. By adhering to a division of business and centralised management system, risks are first identified, investigated and evaluated before effective solutions are implemented to ensure a consistent and systematic approach adopted across the Group.

### **Recruiting high-skilled talent and emphasising a “people-oriented” culture**

The Group is actively improving the management of its human resources and shifting the overall mix and balance, by increasing its efforts on recruiting highly-skilled senior management personnel in trading and financial services over traditional low-skilled manual labour. It focuses on the selection, training, evaluation of competent personnel and setting up an effective incentive system to retain its talent and optimise the overall efficiency of management within the Group. The Group also intends to strengthen its corporate culture by promoting a “people-oriented” culture among its staff and sustainable development in the long run. It aims to thrive and achieve effectiveness and development through its management and strengthen the team building, hence further improving its brand effect.

## **HISTORY AND DEVELOPMENT**

The Guarantor was originally incorporated with limited liability under the laws of the PRC in 1997 and became a state-owned enterprise wholly owned by Shandong Government and directly supervised by the SSASAC in 1999. The rights of Shandong Government, represented by the SSASAC, are contained in the articles of association of the Guarantor and the Guarantor is managed in accordance with its articles of association and with the provisions of the law of the PRC. In 2018, pursuant to the Notice of SSASAC and Shandong Social Security Fund regarding Amendment to the Articles of Association of Shandong Hi-Speed Group (《山東省人民政府國有資產監督管理委員會、山東社保基金理事會關於修訂〈山東高速集團有限公司章程〉的通知》) published by Shandong Government, Shandong Guohui and Shandong Social Security Fund became minority shareholders of the Guarantor, holding 20 per cent. and 10 per cent. of the equity interest in the Guarantor, respectively. In March 2023, pursuant to the requirements of the Approval of Shandong Government on Agreeing to Establish Provincial Administrative and Institutional State-owned Asset Operating Enterprises and Promoting the Reform of the Provincial Council for Social Security Fund (Lu Zheng Zi [2020] No. 168)(《山東省人民政府關於同意組建省屬行政事業性國有資產運營公司和推進生社保基金理事會改革工作有關事項的批覆》(魯政字[2020]168號)) and the Notice on Further Accelerating the Subsequent Work of State-owned Capital Transfer to Social Security Funds (Lu Cai Zi [2021] No. 21)(《關於進一步加快推進國有資本劃轉社保基金後續工作的通知》(魯財資[2021]21號)), all equity interest held by the Shandong Provincial Council for Social Security Fund in the Guarantor was transferred to Shandong Caixin.

The table below sets out certain key events in the development history of the Group:

<b>Year</b>	<b>Milestone</b>
1997	Shandong Hi-Speed Expressways Limited (山東高速公路有限公司)(“ <b>SHEL</b> ”), the Group’s predecessor, was established with a registered capital of RMB180 million.
1999	SHEL’s name was changed to SPHEL.  SHCL, the Guarantor’s subsidiary, was established.
2002	SD Infrastructure Construction, SHCL’s predecessor, was listed on the Shanghai Stock Exchange (stock code: 600350). As at 31 December 2023, SHCL’s registered capital exceeded RMB4.8 billion.
2004	Shandong Government increased SD Infrastructure Construction’s registered capital by allocating it with a capital contribution in the amount of approximately RMB2.1 billion.  SSASAC transferred 70 per cent. of equity interest it held in Shandong Road & Bridge to SPHEL.
2006	The Group won the bid to undertake the construction project of the world’s longest cross-sea bridge, Qingdao Jiaozhou Bay Bridge, attributable to the Group’s brand advantage.
2008	The Group changed its name from SPHEL to Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) and its paid-up capital was increased to RMB6.36 billion.  Shandong Railway Construction Investment Co., Ltd (山東鐵路建設投資有限公司)(“ <b>SD Railway Construction</b> ”), the Guarantor’s subsidiary, was established.
2011	Shandong Hi-Speed Logistics Group Company Limited (山東高速物流集團有限公司)(“ <b>SDHS Logistics</b> ”), the Guarantor’s subsidiary, was established in August 2011 as a flagship enterprise in Shandong’s logistics industry with a registered capital of RMB5 billion. SDHS Logistics was ranked first in Shandong’s logistics industry in terms of scale in the PRC.
2012	The Guarantor’s subsidiary, Shandong Road & Bridge, was successfully listed on the Shenzhen Stock Exchange (stock code: 000498).
2013	The Group’s paid-in capital was increased to RMB20 billion.  The Group won the bid for the Serbia E763 Expressway Project, which has a total length of 50.2 kilometres and a contract amount of RMB2.2 billion. This was the first highway in Serbia constructed by a PRC enterprise.
2014	Shandong Government, led by SD Railway Construction, formed a project legal entity to build the Qingdao-Jinan Railway, which is the first railway line in the PRC funded and constructed by a local government.



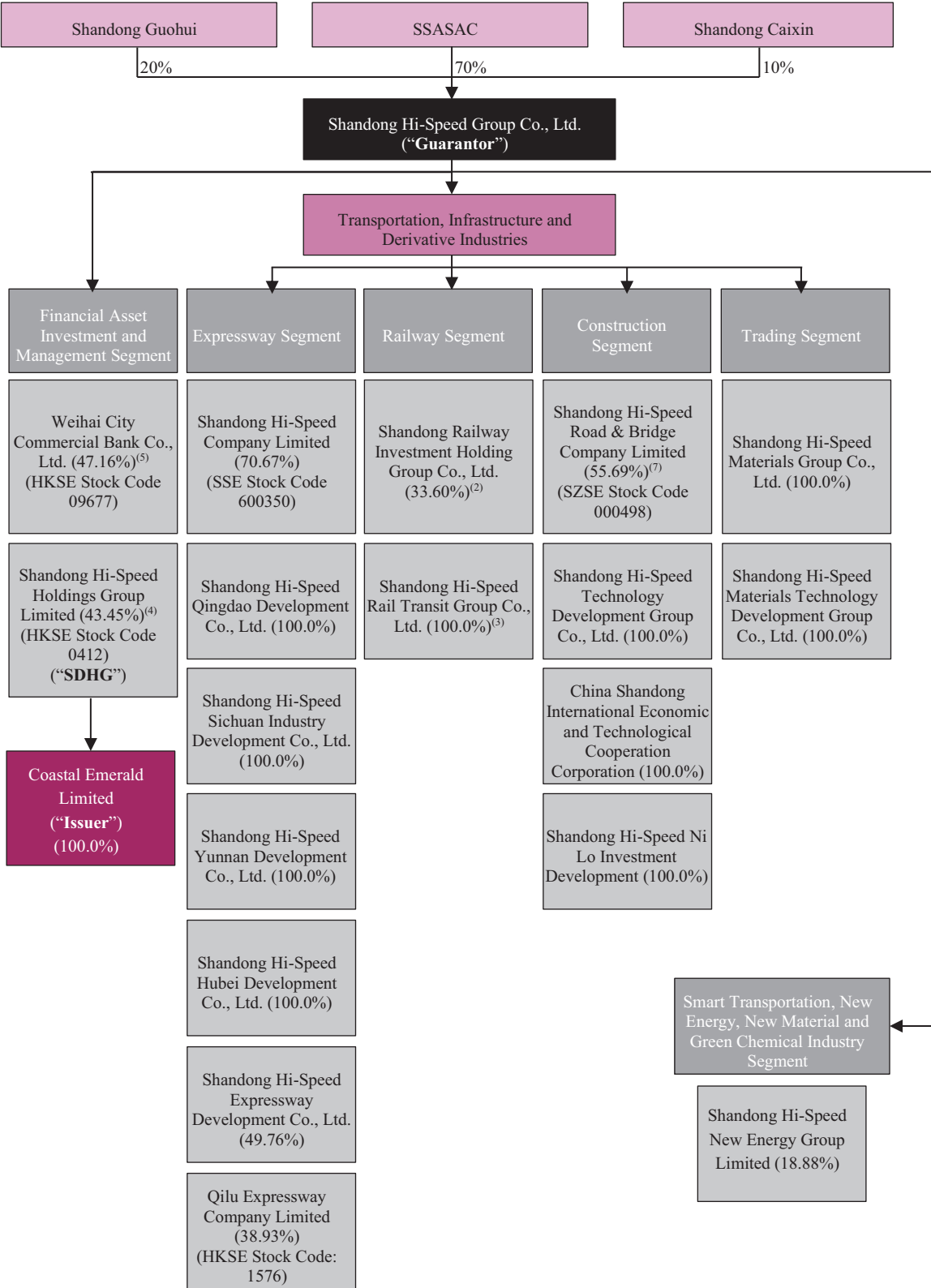
<b>Year</b>	<b>Milestone</b>
2016	<p>PRC President Xi Jinping, accompanied by then President Nikolic of Serbia, laid the foundation for the Serbia Chinese Cultural Centre in Serbia invested by the Group. The Group seized the strategic opportunities in the Belt and Road Initiative and actively implemented the “going global” strategy. It mapped out the plan to increase the proportion of its international business to over 35 per cent. during the “13th Five-Year Plan” to reach a new profit growth point.</p> <p>Shandong Government allocated 15 enterprises to the Group.</p>
2017	<p>The Group ranked 146th among the “Top 500 Most Valuable Brands in China” with a brand value of RMB28.4 billion.</p>
2018	<p>The Guarantor’s subsidiary, Shandong Bohai Bay Port Company Limited (山東渤海灣港集團有限公司) was established in March 2018.</p> <p>SD Railway Construction, together with Jiqing Hi-Speed Rail Co., Ltd. (濟青高速鐵路有限公司), Lunan Hi-Speed Rail Co., Ltd. (魯南高速鐵路有限公司)(“<b>Lunan Railway</b>”) and Shandong Railway Development Fund Company (山東鐵路發展基金公司)(“<b>Shandong Railway Development Fund</b>”), was reorganised to Shandong Railway Investment Holding Group Co., Ltd. (山東鐵路投資控股集團有限公司)(the “<b>Shandong Railway Investment</b>”).</p> <p>Pursuant to the Notice of SSASAC and Shandong Social Security Fund regarding Amendment to the Articles of Association of Shandong Hi-Speed Group (《山東省人民政府國有資產監督管理委員會、山東社保基金理事會關於修訂〈山東高速集團有限公司章程〉的通知》) published by Shandong Government, Shandong Guohui and Shandong Social Security Fund became minority shareholders of the Guarantor, holding 20 per cent. and 10 per cent. of the equity interest in the Guarantor, respectively.</p>
2019	<p>The Group established the first bridge and tunnel maintenance technology platform.</p> <p>The Group received one “Transportation BMI Engineering Innovation Award” and two “Technology Advancement” Awards from China Road Association.</p> <p>The group registered 26 national patents, published 21 journal articles and received certification from China Road Association for its “96659” Intellectual Interaction System.</p> <p>The Group invented intellectual cones which enables live traffic updates and created wireless ECT hand devices.</p> <p>The “Qilu” China-Europe Railway Express (齊魯號中歐班列) departed 1,054 trains during the year, substantially exceeding the sum of the number of trains departed in previous years, building a major international logistics channel that links Japan and South Korea to the east and Eurasia to the west.</p> <p>The Group completed the expansion and reconstruction of Jinan-Qingdao Expressway five months ahead of schedule while the expressway remained in service. This expansion and reconstruction project ranked the first amongst similar projects in China in terms of total investment and mileage, enhancing the branding of road construction in Shandong.</p>

<u>Year</u>	<u>Milestone</u>
2020	<p>On 12 October 2020, WCC Bank, a city commercial bank in Weihai, Shandong province, in which the Group held 35.56 per cent. of equity interest and SHCL held 11.6 per cent. of equity interest as at the date of this Offering Circular, was successfully listed on the Hong Kong Stock Exchange (stock code: 09677).</p> <p>In July 2020, the Guarantor announced its plan for the merger and restructuring with Qilu Transportation to form a new SDHS Group as the largest state-owned enterprise in Shandong province. In September 2020, the merger and restructuring proposal was considered and approved by the Guarantor and Qilu Transportation's respective meetings of shareholders. On 17 November 2020, the Guarantor completed its merger and restructure with Qilu Transportation, a key investing and financing platform in Shandong province in relation to the development of the province's transportation industry and the construction of key transportation projects. All assets, liabilities, rights and obligations were carried on by the Group. The rights and shares of the subordinate branches and subsidiaries of Qilu Transportation were vested with the Group. Upon the completion of the merger and restructure, the Group's total assets reached RMB1,000 billion for the first time.</p> <p>SHCL acquired 51 per cent. of equity interest in Shandong Hi-Speed Rail Transit Group Co., Ltd. (山東高速軌道交通集團有限公司) (“<b>SDHS Rail Transit</b>”) which was previously held by the Guarantor at a consideration of approximately RMB3.5 billion.</p> <p>The Group's project team in charge of the Serbia E763 Expressway Project won the awards of the Top Ten People of the Year Touching China in 2019 (2019年度感動中國十大年度人物).</p>
2021	<p>On 11 January 2021, the Guarantor announced the composition of the first session of the board of directors and senior management after the completion of the Qilu Merger, with Mr. Zhou Yong appointed as Chairman of the board of directors and Secretary of the Party Committee.</p> <p>On 10 November 2021, the Guarantor and SHCL (Shanghai Stock Exchange stock code: 600350) entered into the share transfer agreement, pursuant to which the 38.93 per cent. of equity interests of Qilu Expressway Company Limited (Hong Kong Stock Exchange stock code: 1576.HK) held by the Guarantor was transferred to SHCL with the consideration of approximately RMB1.5 billion. After the share transfer, SHCL becomes the controlling shareholder of Qilu Expressway Company Limited. This is the first case of “an H-share company controlled by an A-share Company” in China expressway industry and also an innovative exploration to solve the problem of horizontal competition among listed companies.</p> <p>In November 2021, SHCL (Shanghai Stock Exchange stock code: 600350) bid for 11.70 per cent. of the equity interest of Econ Technology Co., Ltd. (毅康科技有限公司) and purchased approximately 11.22 per cent. of the equity interest from the existing shareholders with the consideration of approximately RMB600 million, after which SHCL further invested RMB1.5 billion into Econ Technology Co., Ltd. After the completion of the share transfer and capital investment, SHCL holds 51 per cent. of the equity interest of Econ Technology Co., Ltd.</p>

<b>Year</b>	<b>Milestone</b>
2022	<p>In May 2022, SDHG completed the acquisition of BECE (which was later renamed as SHNE). It is expected that SHNE will become a new energy flagship enterprise of SDHG and the Group. See also “– <i>Business Segments – Emerging Industry and Other Businesses – New energy (power heating)</i>” for further details.</p> <p>On 3 August 2022, the Fortune Global 500 list in 2022 was officially released, and the Guarantor made its debut on the list, ranking 458th, becoming the only newly listed enterprise in Shandong province in 2022.</p>
2023	<p>In March 2023, pursuant to the requirements of the Approval of Shandong Government on Agreeing to Establish Provincial Administrative and Institutional State-owned Asset Operating Enterprises and Promoting the Reform of the Provincial Council for Social Security Fund (Lu Zheng Zi [2020] No. 168)(《山東省人民政府關於同意組建省屬行政事業性國有資產運營公司和推進生社保基金理事會改革工作有關事項的批覆》(魯政字[2020]168號)) and the Notice on Further Accelerating the Subsequent Work of State-owned Capital Transfer to Social Security Funds (Lu Cai Zi [2021] No. 21)(《關於進一步加快推進國有資本劃轉社保基金後續工作的通知》(魯財資[2021]21號)), all equity interest held by the Shandong Provincial Council for Social Security Fund in the Guarantor was transferred to Shandong Caixin.</p>
2024	<p>SHCL acquired 65 per cent. of equity interest in Shandong High Speed Information Group Co., Ltd. (山東高速資訊集團有限公司) which was previously held by the Guarantor at a consideration of approximately RMB2.15 billion.</p>

**CORPORATE STRUCTURE**

The following chart summarises the corporate structure of the Group as at the date of this Offering Circular<sup>(1)</sup>:



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Notes:

- (1) This chart includes only significant subsidiaries within the Group with respect to each business segment.
- (2) On 4 January 2021, the Guarantor announced that as directed by relevant government authorities, starting from 1 January 2021, Shandong Railway Investment will no longer be consolidated into the financial statements of the Group. As at the date of this Offering Circular, the Guarantor holds 32.87 per cent. of equity interest in Shandong Railway Investment through its direct shareholding of 32.25 per cent. and indirect shareholding of 0.62 per cent. via SDHS Rail Transit.
- (3) As at the date of this Offering Circular, the Guarantor holds 100 per cent. of equity interest in SDHS Rail Transit through its direct shareholding of 49.0 per cent. and indirect shareholding of 51.0 per cent. via SHCL.
- (4) As at the date of this Offering Circular, the Guarantor holds 43.45 per cent. of equity interest in SDHG directly and through its shareholding in Shandong International (Hong Kong) Limited, holding 22.68 per cent. and 20.77 per cent. of SDHG shares respectively.
- (5) As at the date of this Offering Circular, the Guarantor holds 47.16 per cent. of equity interest in Weihai City Commercial Bank Co., Ltd. through its direct shareholding of 35.56 per cent. and indirect shareholding of 11.60 per cent. via SHCL.
- (6) On 19 May 2022, Profit Plan Global Investment Limited, an indirect wholly-owned subsidiary of SDHG, completed its subscription of 48,804,039,247 in BECE for a total consideration of HK\$4,685,187,768, upon which SDHG has become the controlling shareholder of BECE. BECE was renamed as SHNE in August 2022. It is expected that SHNE will become a new energy flagship enterprise of SDHG and the Group.
- (7) As at the date of this Offering Circular, the Guarantor holds 55.68 per cent. of equity interest in Shandong Road & Bridge through its direct shareholding of 49.75 per cent. and indirect shareholding of 5.93 per cent. via Shandong Hi-Speed Investments and Holdings Co., Ltd.
- (8) On 21 September 2023, Guangdong Huatie Tongda High-speed Railway Equipment Corporation (廣東華鐵通達高鐵裝備股份有限公司) transferred 10.0 per cent. of equity interest in Shandong Tonghui Capital Investment Co., Ltd. (山東通匯資本投資集團有限公司) (“**Tonghui Capital Investment**”) to the Guarantor. As at the date of this Offering Circular, the Guarantor holds 88.5 per cent. of equity interest in Tonghui Capital Investment directly.

## BUSINESS SEGMENTS

### Expressway

#### Overview

The Group is primarily engaged in the investment in, and construction, operation and management of, roads, expressways, bridges, tunnels in Shandong, Sichuan, Henan, Yunnan, Hunan and Hubei provinces. As at 31 December 2023, the Group operated expressways with a total length of approximately 8,745 kilometres, of which 7,059 kilometres are in Shandong province. Before the Qilu Merger, the majority of the Group’s expressways were managed and operated by SHCL, a subsidiary of the Guarantor which is listed on the Shanghai Stock Exchange (stock code: 600350). After the Qilu Merger, the expressways used to be managed by Qilu Transportation are managed by regional subsidiaries of the Guarantor transferred from Qilu Transportation.

In addition, the Group is also engaged in providing ancillary services in relation to the operation of expressways, such as the management and operation of designated areas for fuelling, dining and accommodation services. The construction and development of its roads, expressways, bridges and tunnels are conducted under the construction business segment. For details, please see “*Construction*” below.

For the years ended 31 December 2021, 2022 and 2023, the Group’s operating revenue generated from its expressway business amounted to approximately RMB30.4 billion, RMB31.3 billion and RMB35.6 billion, respectively, representing approximately 16.4 per cent., 14.6 per cent. and 14.8 per cent., respectively, of the Group’s total operating revenue for the same years.

### ***Key Expressways and Bridges***

The key expressways which the Group operates include the Jinan-Qingdao Expressway (濟青高速), the Shandong Section of the Beijing-Taipei Expressway (京臺高速山東段), the Shandong Section of Beijing-Shanghai Expressway (京滬高速山東段) and Qingdao Jiaozhou Bay Bridge (青島膠州灣大橋).

The Jinan-Qingdao Expressway and the Shandong Section of the Beijing-Taipei Expressway are mainly managed and operated by the Guarantor's listed subsidiary, SHCL, the Shandong Section of Beijing-Shanghai Expressway is managed by Shandong Hi-Speed Jinan Development Co., Ltd. (山東高速濟南發展有限公司) and Qingdao Jiaozhou Bay Bridge is managed by Shandong Hi-Speed Qingdao Development Co., Ltd. (山東高速青島發展有限公司) (“SDHS Qingdao”).

SHCL is the primary entity responsible for the investment in, and management and maintenance of the Group's major expressways, bridges and tunnels. It is also engaged in road administration, rescue and bush clearing. SHCL was established in 1999 and was subsequently listed on the Shanghai Stock Exchange (stock code: 600350) in March 2002. SHCL has been a constituent of the “SSE 180 Index”, the “CSI 300 Index” and the “Shanghai Stock Exchange Corporate Governance Index”. In addition, SHCL has been selected as one of China's Top 100 companies listed on the main board and the first transport infrastructure enterprise in the PRC that has been awarded the National Quality Award.

As at 31 December 2023, SHCL had operated and managed approximately 2,863.9 kilometres of expressways. Details of the key expressways operated and managed by SHCL are set out below:

***Jinan-Qingdao Expressway (濟青高速)***: the Jinan-Qingdao Expressway is the first and the most important expressway in Shandong province, connecting Jinan city and Qingdao city. The Jinan-Qingdao Expressway starts from Jinan, the provincial capital of Shandong province and passes through five cities (namely Jinan, Zibo, Binzhou, Weifang and Qingdao) and 17 counties, and reaches Xiyuanzhuang in the east Qingdao city. It runs through Shandong peninsula, links five national highways and 15 provincial arterial expressways, and connects Shengli Oilfield, the second largest oilfield in the PRC, and Dongying city, an emerging industrial city. It is an expressway that passes through Shandong province's “industrial corridor” and is an important channel linking the eastern coastal areas with inland regions of Shandong province. The Jinan-Qingdao Expressway spans 318.5 kilometres and has a fully enclosed design with two-way traffic and eight lanes. Construction of the Jinan-Qingdao Expressway began in 1990 and was completed and opened to traffic in 1993. The Jinan-Qingdao Expressway is a significant expressway in Shandong province.

***Shandong Section of the Beijing-Taipei Expressway (京臺高速山東段)***: the Shandong Section of the Beijing-Taipei Expressway consists of: the Dezhou-Qihe section, which spans approximately 93.7 kilometres and was open to traffic in November 1997; the Qihe-Jinan section, which spans approximately 44.1 kilometres and was open to traffic in 1999; the Jinan-Tai'an section, which spans 59.6 kilometres in length and was open to traffic by the end of 1999; and the Tai'an-Zaozhuang section with a length of 189.5 kilometres, which opened to traffic in 2000. In total, the Shandong Section of the Beijing-Taipei Expressway spans approximately 388.1 kilometres which are all subject to reform and expansion. The expansion project could be divided into four sections: the Dezhou-Qihe section has been expanded from four lanes to eight lanes with a total expected investment amount of approximately RMB11.9 billion which was opened to traffic in July 2021; the Jinan-Tai'an section has been expanded from six lanes to eight lanes with a total investment amount of approximately RMB6.6 billion which was open to traffic in October 2022; and the expansion of Qihe-Jinan section is expected to be complete by 2026. In addition, the toll-free Dezhou South Connecting Line of the Beijing-Taipei Expressway, which spans approximately 7.7 kilometres previously managed and operated by Qilu Transportation was also transferred to the Group as part of the Qilu Merger.

In addition to the key expressways listed above, SHCL is also responsible for operating and/or managing the following expressways in and outside of Shandong province:

- Jinan-Laiwu Expressway (濟萊高速);
- Weifang-Laiyang Expressway (濰坊-萊陽高速路);
- Weihai-Rushan Expressway (威海-乳山高速路);
- Tai'an-Qufu Class 1 Road (泰安-曲阜一級公路);
- Lijin Yellow River Bridge (利津大橋);
- Henan Xuchang-Yuzhou Expressway (河南許禹高速);
- Jiyuan-Jincheng Section of Erenhot-Guangzhou Expressway (二廣高速濟源至晉城段);
- Hunan Hengyang-Shaoyang Expressway (湖南衡邵路);
- Hubei Wuhan-Jingmen Expressway (湖北武荊路);
- Luzhou-Sichuan-Chongqing Border Expressway (瀘渝高速);
- Jinan No.2 Yellow River Bridge (濟南黃河二橋);
- Jinan-Heze Expressway (濟荷高速);
- Dezhou-Shangrao Expressway (德上高速)
- Shen County-Nanle Expressway (莘南高速);
- Ji'nan-Qingdao Expressway (濟青高速); and
- Beijing-Taipei Expressway (京台高速).

As at 31 December 2021, 2022 and 2023, SHCL's total assets amounted to approximately RMB125.9 billion, RMB137.0 billion and RMB161.7 billion, respectively, and its total operating revenue amounted to approximately RMB16.2 billion, RMB18.5 billion and RMB25.8 billion, respectively, for the years ended 31 December 2021, 2022 and 2023. In addition to the operation and management of expressways and bridges, SHCL also engages in equity investment in fields related to the expressway industry, finance and environmental protection.

Details of other key expressways and bridges operated and managed by the Group are set out below:

***Shandong Section of the Beijing-Shanghai Expressway (京滬高速山東段)***: the Beijing-Shanghai Expressway is a major expressway of China, passing through Northern and Eastern China regions and connecting Beijing-Tianjin-Hebei and Yangtze River Delta economic regions at both ends. It spans approximately 1,318.0 kilometres. The Shandong Section of the Beijing-Shanghai Expressway managed and operated by the Group consists of the Xintai-Linyi section, which spans approximately 91.3 kilometres and was open to traffic in November 1999; the Linyi-Honghuabu section, which spans approximately 83.7 kilometres and was open to traffic in November 2000; and the Laiwu-Xintai section, which spans approximately 46.0 kilometres and was open to traffic in September 2002. In June 2022, the expansion project of these three sections of the Beijing-Shanghai Expressway, together with the

Boshan-Laiwu section of the Binzhou-Laiwu Expressway was completed; and the four sections are merged as the Laiwu-Linyi (Shandong-Jiangsu Border) Expanded Section of the Beijing-Shanghai Expressway (京滬高速萊蕪至臨沂(魯蘇界)改擴建段), which spans approximately 232.4 kilometres.

***Qingdao Jiaozhou Bay Bridge (青島膠州灣大橋):*** Qingdao Jiaozhou Bay Bridge which was the world's longest bridge over water at the time of completion. The Qingdao Jiaozhou Bay Bridge (including the connecting roads) spans approximately 42.2 kilometres and connects the eastern coastal city of Qingdao to the suburbs of Huangdao and Hongdao. The Group appointed SDHS Qingdao to operate and manage the Qingdao Jiaozhou Bay Bridge for a period of 25 years commencing from June 2011. The bridge is also the starting point of a national expressway from Qingdao to Lanzhou in Gansu province. The Qingdao Jiaozhou Bay Bridge is linked to the Jiaozhou Bay Expressway. SDHS Qingdao has also been granted the toll collection right for Jiaozhou Bay Expressway, as well as the advertising operation right and tourism development and operation right for both the Qingdao Jiaozhou Bay Bridge and Jiaozhou Bay Expressway. After the expiry of the 25-year concession period, the ownership and management rights in the Qingdao Jiaozhou Bay Bridge will be transferred to the Qingdao Municipal Government.

As at 31 December 2021, 2022 and 2023, SDHS Qingdao's total assets amounted to approximately RMB16.3 billion, RMB15.4 billion and RMB13.8 billion, respectively, and its total operating revenue amounted to approximately RMB1.4 billion, RMB1.7 billion and RMB2.0 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

In addition to the expressways listed above, the Group is also responsible for operating and/or managing the following expressways through itself and its other subsidiaries in and outside of Shandong province:

- Heze-Guanzhuang Expressway (菏澤-關莊高速路);
- Qihe-Xiajin Section of Qingdao-Yinchuan Expressway (青銀高速齊河至夏津段);
- Northern Line of Jinan Ring Expressway of the Qingdao-Yinchuan Expressway (including the Jinan No. 3 Yellow River Bridge)(青銀北繞城(含濟南黃河三橋));
- Jiaozhou Bay Expressway (膠州灣高速);
- Sichuan Leshan-Yibin Expressway (四川樂宜高速);
- Henan Xuchang-Bozhou Expressway (河南許亳高速);
- Yantai-Haiyang Expressway (煙臺-海陽高速公路);
- Linyi-Zaozhuang Expressway (臨沂-棗莊高速公路);
- Sichuan Leshan-Zigong Expressway (四川樂自高速);
- Yunnan Suolongsi-Mengzi Expressway (雲南鎖蒙高速);
- Yunnan Jijie-Shiping Tonghai-Jianshui Expressway (雲南雞石通建高速);
- Beilai Expressway (北萊路);
- Yunnan Yangjie-Jijie Expressway (雲南羊雞高速);
- Yunnan Airport Expressway (雲南機場高速);
- Juancheng-Heze Expressway (鄆荷高速);



- Weifang-Rizhao Expressway ( Binhai Connecting Line)( 濰日高速濱海連接線);
- Jijin Expressway ( 濟晉高速);
- Weifang-Rizhao Expressway ( 濰日高速);
- Longkou-Qingdao Expressway ( 龍青高速);
- Hubei Wuhan-Macheng Expressway ( 湖北武麻高速);
- Taidong Expressway ( 泰東高速);
- Hubei Xiangyang-Weijiaji Expressway ( 湖北樊魏高速);
- Zaozhuang-Tengzhou Expressway ( 棗木高速);
- Gaoqing-Guangrao Section of the Changchun-Shenzhen Expressway ( 高廣高速);
- Weihai-Yantai Section of the Rongcheng-Wuhai Expressway ( 煙威路( 榮烏高速公路威海至煙臺段));
- Leshan Ring Expressway ( 樂山繞城高速);
- S26 West Laiwu-Tai'an Section of Laiwu-Tai'an Expressway ( S26 萊泰高速萊蕪西至泰安段);
- S83 Zaozhuang-Mushi Expressway ( S83 棗莊至木石高速公路);
- S7201 Dongying Port Unclogging Expressway ( S7201 東營港疏港高速公路);
- S31 Tai'an-Huamawan Section of the Tai'an-Xintai Expressway ( S31 泰新高速泰安至化馬灣段);
- S1 Qihe-Liaocheng Section of the Jinan-Liaocheng Expressway ( S1 濟聊高速齊河至聊城段);
- S32 Hezei-Dongming Expressway ( S32 荷澤至東明高速公路);
- S31 Huamawan-Xintai Section of the Tai'an-Xintai Expressway ( S31 泰新高速化馬灣至新泰段);
- G18 Yantai Ring Section of the Rongcheng-Wuhai Expressway ( G18 榮烏高速煙臺繞城段);
- G2001 Eastern Line of Jinan Ring Expressway ( G2001 濟南繞城高速東線);
- G1511 Rizhao-Zhuyuan Section of the Rizhao-Lankao Expressway ( G1511 日蘭高速日照到竹園段);
- G15 Qixia-Laixi Section of the Shenyang-Haikou Expressway ( G15 瀋海高速棲霞到萊西段);
- S1 Liaocheng East to Shandong-Hebei Border Section of the Jinan-Liaocheng Expressway ( S1 濟聊高速聊城東至魯冀界段);
- G15 Yantai-Qixia Section of the Shenyang-Haikou Expressway ( G15 瀋海高速煙臺到棲霞段);
- G1511 Qufu-Heze Section of Rizhao-Lankao Expressway ( G1511 日蘭高速曲阜到荷澤段);
- G2001 Southern Line of Jinan Ring Expressway ( G2001 濟南繞城高速南線);

- S29 Gaoqing-Boshan Section of the Binzhou-Laiwu Expressway (S29濱萊高速高青至博山段);
- S26 Laicheng-West Laiwu Section of Laiwu-Tai'an Expressway (S26萊泰高速萊城區至萊蕪西段);
- G15 Liangcheng-Fenshui Section of the Shenyang-Haikou Expressway (G15瀋海高速兩城至汾水段);
- G1511 Zhuyuan-Qufu Section of the Rizhao-Lankao Expressway (G1511日蘭高速竹園至曲阜段);
- G18 Yantai-Xinhe Section of the Rongcheng-Wuhai Expressway (G18榮烏高速煙臺至新河段);
- G25 Binzhou Yellow River Bridge Section of the Changchun-Shenzhen Expressway (G25長深高速濱州黃河大橋段);
- G25 Dagao-Binzhou Section of the Changchun-Shenzhen Expressway (G25長深高速大高至濱州段);
- S24 Rushan-Jimo Section of the Weihai-Qingdao Expressway (S24威青高速乳山至即墨段);
- G18 Dongying Transportation Hub-Dengwang Interchange Section of the Rongcheng-Wuhai Expressway (G18榮烏高速東營樞紐至鄧王立交段);
- G25 Shandong-Hebei Border-Dagao Section of the Changchun-Shenzhen Expressway (G25長深高速魯冀界至大高段);
- S24 Jimo Section of the Weihai-Qingdao Expressway (S24威青高速即墨段);
- G22 Qingdao-Laiwu Section of the Qingdao-Lanzhou Expressway (G22青蘭高速青島至萊蕪段);
- G18 Yantai-Xinzhuangzi Section of the Rongcheng-Wuhai Expressway (G18榮烏高速煙臺至辛莊子段);
- S7801 Rizhao Shijiu Port Unclogging Expressway (S7801日照石臼港區疏港高速);
- S7401 Yantai Laizhou Port Unclogging Expressway (S7401煙臺萊州港區疏港高速);
- S7402 Yantai Port West Zone Unclogging Expressway (S7402煙臺西港區疏港高速);
- S12 Binzhou-Dezhou Expressway (S12濱州至德州高速公路);
- S14 Gaotang-Xingtai Expressway (S14高唐至邢臺高速公路);
- G25 Qingzhou-Linshu Section of the Changchun-Shenzhen Expressway (G25長深高速青州至臨沭段);
- S33 Dongping-Jining Section of the Jinan-Xuzhou Expressway (S33濟徐高速東平至濟寧段);
- S19 Yantai Longkou Port Unclogging Expressway (S19煙臺龍口港疏港高速);
- G0321 Liaocheng-Fan County Section of the Dezhou-Shangqiu Expressway (G0321德商高速聊城至范縣段);
- G18 Rongcheng-Wendeng Section of the Rongcheng-Wuhai Expressway (G18榮烏高速榮成至文登段);

- G35 Jinan-Heze Section of the Jinan-Guangzhou Expressway (G35濟廣高速濟南至荷澤段);
- G18 Dongying-Qingzhou Section of the Rongcheng-Wuhai Expressway (G18榮烏高速東營至青州段);
- G18 Dongying Yellow River Bridge of Rongcheng-Wuhai Expressway (G18榮烏高速東營黃河大橋);
- G2516 Jinan-Dongying Expressway (G2516濟南至東營高速公路);
- S17 Penglai-Qixia Expressway (S17蓬萊至棲霞高速公路);
- S7801 Rizhao Airport-Shenyang-Haikou Expressway Connecting Line (S7801日照機場至瀋海高速連接線高速公路);
- S28 Shen County-Nanle (Shandong-Henan Border) Expressway (S28莘縣至南樂(魯豫界)高速公路);
- G22 Liaocheng-Dong'e Section of the Qingdao-Lanzhou Expressway (G22青蘭高速聊城至東阿段高速公路);
- S29 West Zibo-Laiwu Section of the Binzhou-Laiwu Expressway (S29濱萊高速淄博西至萊蕪段高速公路);
- Wendeng-Laiyang Expressway (文登至萊陽高速公路);
- Xintai-Ningyang Section of the Dongjiakou-Liangshan Expressway (董梁高速新泰至寧陽段);
- Ningyang-Liangshan Section of the Dongjiakou-Liangshan Expressway (董梁高速寧陽至梁山段);
- Lanshan-Luozhuang Expressway (嵐山至羅莊高速公路);
- Eastern Line of Jinan No.2 Ring Expressway (濟南繞城高速二環線東環段);
- Weifang Connection Section of Weifang-Rizhao Expressway (濰日高速公路濰坊連接線);
- Xintai-Malantun Section of the Xintai-Tai'erzhuang Expressway (新臺高速新泰至臺兒莊馬蘭屯段);
- Laiwu-Tai'an Expanded Section of the Qingdao-Lanzhou Expressway (青蘭高速萊蕪至泰安改擴建段);
- Dongjiakou-Shenyang-Haikou Expressway Section of the Dongjiakou-Liangshan Expressway (董梁高速公路董家口至瀋海高速段);
- Tai'erzhuang-Malantun-Shandong-Jiangsu Border Section of the Xintai-Tai'erzhuang Expressway (新臺高速臺兒莊馬蘭屯至魯蘇界段);
- Jinan-Gaoqing Expressway (濟南至高青高速公路);
- Jining Airport-Zaohe Expressway Section of the Jinan-Weishan Road (濟南至微山公路濟寧新機場至棗菏高速段);
- Zhanhua-Linzi Road (沾化至臨淄公路);

- Weifang-Qingdao Road (Main Line)(濰坊至青島公路主線);
- Weifang-Qingdao Road (Connecting Line)(濰坊至青島公路連接線);
- Changshen-Weiri Section of the Jinan-Weifang Expressway (濟濰高速長深至濰日段); and
- Liu Bridge-Zhangxia Section of Daxihuan (大西環劉橋至張夏段).

#### **Key Expressways Outside Shandong Province**

- **Sichuan Leshan-Zigong Expressway (四川樂自高速)(Sichuan province):** the Sichuan Leshan-Zigong Expressway is an integral part of the roads connecting Hangyuan and Zigong, spanning approximately 113.0 kilometres. The Sichuan Leshan-Zigong Expressway has a width of 24.0 metres in a two-way four-lane design. The expressway is managed by the Guarantor's subsidiary, Shandong Hi-Speed Group Sichuan Lezi Expressways Co., Ltd (山東高速集團四川樂自公路有限公司), which was established in 2010 when the Group won the tender for the expressway. As at 31 December 2021, the main road of the Sichuan Leshan-Zigong Expressway had been in operation and the collection of vehicle tolls on the main road had commenced; the interchange of the expressway had also been in operation.
- **Sichuan Leshan-Yibin Expressway (四川樂宜高速)(Sichuan province):** the Sichuan Leshan-Yibin Expressway spans approximately 138.0 kilometres. It was completed in 2010 with a total investment amount of RMB6.0 billion. The expressway is operated by the Guarantor's subsidiary, Shandong Hi-Speed Group Sichuan Leyi Expressways Co., Ltd (山東高速集團四川樂宜公路有限公司), which was established in 2005.
- **Henan Xuchang-Bozhou Expressway (河南許亳高速)(Henan province):** the Henan Xuchang-Bozhou Expressway spans approximately 118.0 kilometres with a total investment amount of RMB4.0 billion upon completion. It was put into operation at the end of 2007 with a toll collection period of 30 years. On 28 December 2011, the enjoining section in Anhui to the Henan Xuchang-Bozhou Expressway also commenced operation. The expressway is operated by the Guarantor's subsidiary, Shandong Hi-Speed Henan Xubo Expressways Co., Ltd (山東高速集團河南許亳公路有限公司), which was established in 2006.
- **Hubei Wuhan-Jingmen Expressway (湖北武荊路)(Hubei province):** the Hubei Wuhan-Jingmen Expressway, which was constructed in BOT model, spans approximately 183.2 kilometres with a total investment amount of approximately RMB9.7 billion upon completion. It was put into operation in May 2010 with a toll collection period of 30 years. The expressway was built by the Guarantor's subsidiary, Hubei Wujing Expressway Development Co., Ltd (武荊高速公路發展有限公司), which was established in 2003.
- **Hubei Wuhan-Macheng Expressway (湖北武麻高速)(Hubei province):** the Hubei Wuhan-Macheng Expressway is a key transportation project in Hubei province, an important export channel in the northeast of Wuhan and also an integral part of the state-planned Shanghai-Chengdu Expressway. It spans approximately 101.0 kilometres with a total investment amount of RMB1.7 billion upon completion and was put into operation in 2011.
- **Yunnan Suolongsi-Mengzi Expressway (雲南鎖蒙高速)(Yunnan province):** the Yunnan Suolongsi-Mengzi Expressway spans approximately 78.8 kilometres with a total investment amount of approximately RMB4.2 billion upon completion. It was put into operation in 2013, with a toll collection period of 30 years. The expressway is an arterial expressway that links Yunnan with Vietnam and is operated by the Guarantor's subsidiary, Yunan Suomeng Expressway Co., Ltd (雲南鎖蒙高速公路有限公司), which was established in 2008.

- **Yunnan Airport Expressway (雲南機場高速)(Yunnan province):** the Yunnan Airport Expressway spans approximately 14.8 kilometres with a total investment amount of approximately RMB2.5 billion upon completion. It was put into operation in 2012, with a toll collection period of 30 years. The expressway passes through Panlong District, Guandu District and ends at the Kunming Changshui International Airport Terminal. It is operated by the Guarantor’s subsidiary, Kunming Airport Expressway Construction and Development Co., Ltd (昆明機場高速公路建設發展有限公司), which was established in 2007.

#### **Ancillary Expressway Services**

The Group is also engaged in providing ancillary services in relation to the operation of expressway, such as the management and operation of designated service areas where services for refuelling, dining, parking, wholesale and retailing and accommodation are provided, as well as the advertising operations along the Group’s expressways.

This business is conducted through the Group’s wholly-owned subsidiary, namely Shandong Expressway Service Development Group Co., Ltd. (山東高速服務開發集團有限公司) (“**SD Expressway Service Development**”) (formerly known as Qilu Transportation Service Development Group Co., Ltd. (齊魯交通服務開發集團有限公司)), which had a registered capital of RMB2,729 million as at 31 December 2023. As at 31 December 2023, SD Express Service Development had branch offices in management of 196 pairs of expressway service areas and parking areas, including 166 pairs in Shandong province spanning across the Beijing-Taipei Expressway and Qingdao-Yinchuan Expressway, and various property management companies. They are also in charge of the advertising business across all expressways owned by the Group. During the “Thirteenth Five-Year Plan” period from 2016 to 2022, the Group invested a total of RMB6.4 billion and constructed or reconstructed 139 pairs of new service areas. These investments successfully fulfilled the objective of comprehensively improving and renovating service areas, as well as upgrading their software and hardware facilities.

The Group has established China’s first hydrogen refueling station within an expressway service area and has built and operationalised the first “zero-carbon service area” that has achieved self-neutralisation. Additionally, it has published the first “zero-carbon service area” white paper, setting the standard for green construction in service area industry. Furthermore, a province-wide “Shandong Handmade” exhibition and sales platform has been developed. In line with the “Shandong Plan” for integrating transportation and tourism, ten international-themed service areas are being planned and constructed along the “open-up economic belt” of Jinan-Qingdao Expressway, bolstering this innovative initiative.

As at 31 December 2021, 2022 and 2023, SD Expressway Service Development’s total assets amounted to approximately RMB5.2 billion, RMB6.0 billion and RMB5.5 billion, respectively. Its total operating revenue amounted to approximately RMB4.8 billion, RMB5.0 billion and RMB6.8 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

#### **Railway**

In terms of railways, the Group is primarily engaged in the investment in, and construction and operation of railways and rail transit infrastructure in Shandong province and other regions of the PRC. The railway business serves as a complement to the Group’s expressway business and is an important part of the Group’s integrated transport infrastructure network. The Group’s railway business originated from Shandong Local Railway Bureau. Hence, the Group has received substantial governmental support over the years in undertaking construction projects. It is actively participating in the investment in, and construction and management of railway projects in the PRC on behalf of Shandong Government.

The Group's railway business is conducted through SDHS Rail Transit, one of its key subsidiaries, which engages in the investment in, and construction and operation of, regional and urban light and inter-city rail transit infrastructure in Shandong province. Additionally, Shandong Railway Investment, a subsidiary of the Guarantor up to 31 December 2020, also engaged in the development, management and operation of railways in Shandong province and other regions that are part of the PRC railway network.

Starting from 1 January 2021, Shandong Railway Investment is no longer a consolidated subsidiary of the Guarantor, whereas the Guarantor's 33.6 per cent. shareholding of Shandong Railway Investment remains unchanged.

For the years ended 31 December 2021, 2022 and 2023, the Group's operating revenue generated from its railway business amounted to approximately RMB4.0 billion, RMB4.6 billion and RMB5.3 billion, respectively, representing approximately 2.2 per cent., 2.1 per cent. and 2.2 per cent., respectively, of the Group's total operating revenue for the same years.

### ***Major Railways Networks Across Shandong Province***

The Group's railway business has developed rapidly over the past ten years. Shandong Railway Investment was authorised by Shandong Government to cooperate with the Ministry of Railways of the PRC in the investment in, and construction and management of railways projects in the PRC. As at 31 December 2023, the railways operated and managed by the Group had a total length of approximately 624.0 kilometres.

### ***Urban Light and Inter-city Rail Transportation***

In April 2008, Shandong Local Railway Bureau was restructured and became a wholly-owned subsidiary of the Group. Subsequently in August 2009, Shandong Local Railway Bureau was reorganised as SDHS Rail Transit, which laid a solid foundation for the Group to extend its railways business into the urban light and inter-city rail transportation areas.

Through SDHS Rail Transit, the Group engages in the investment in, and construction and operation of regional railways, repairing of cargo facilities, maintenance and sales of spare parts of shipping facilities. It is also involved in the construction of regional railroads and operation of railway lines, operation of storage facilities for non-hazardous materials and provision of freight solutions. The railways operated by the Group through SDHS Rail Transit mainly include:

- the Qingzhou-Dajiawa Railway (青大鐵路);
- the Zhaike-Yangkou Railway (宅羊鐵路);
- the Pingshang-Lanshan Railway (坪嵐鐵路);
- the North Longkou-Longkou Port Railway (龍口港進港鐵路(龍口北-龍口港));
- the Dajiawa-Laizhou-Longkou Railway (大萊龍鐵路);
- the Shouguang-Zouping Railway (壽平鐵路); and
- the Lingang Railway (臨港鐵路).

As at 31 December 2021, 2022 and 2023, SDHS Rail Transit's total assets amounted to approximately RMB11.4 billion, RMB13.7 billion and RMB14.3 billion, respectively. Its total operating revenue amounted to approximately RMB4.3 billion, RMB4.4 billion and RMB4.6 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

In addition to the above, the Group is also designated by the local government to operate and manage the Taocun-Weihai Railway (桃威鐵路) and the Qingzhou-Linqu Railway (青臨鐵路). Generally, the toll collected from the operation and management of the railway forms a part of the Group's income sources. However, the toll from the Taocun-Weihai Railway and Qingzhou-Linqu Railway is collected by the local government, as the Group was merely appointed to operate the railways on behalf of the local government.

## **Construction**

The Group engages in the construction of roads, expressways, bridges, tunnels and other related infrastructure. It undertakes foreign economic and technological projects on behalf of the PRC government and provides consulting and subcontracting services relating to the construction of infrastructure. The Group's construction business is one of its core competitive strengths.

For the years ended 31 December 2021, 2022 and 2023, the Group's operating revenue generated from its construction business amounted to approximately RMB70.7 billion, RMB78.8 billion and RMB79.8 billion, respectively, representing approximately 38.2 per cent., 36.9 per cent. and 33.1 per cent., respectively, of the Group's total operating revenue for the same years.

### ***Construction of Roads, Expressways, Bridges, Tunnels and Other Related Infrastructure***

The Group's construction business is primarily conducted through Shandong Road & Bridge, which is principally responsible for the construction of roads and bridges, undertaking construction contracts for offshore roads, bridges and tunnels, bidding for construction tenders onshore and offshore, importing and exporting related equipment and materials, and providing training and consulting services to contractors. Through more than seven decades of development since its establishment in 1948, Shandong Road & Bridge has become a well-established construction company, enjoying wide brand recognition in the PRC and overseas. Over the past 76 years, Shandong Road & Bridge has constructed more than 300 expressways at various levels in the PRC and overseas, with a total length of over 6,500 kilometres. In line with the "14th Five-Year Plan", spanning from 2021 to 2025, the Group is poised to continue its leading role in the construction of transportation infrastructure. The Group plans to build and extend around 40 key expressway projects with an aggregate length totalling more than 3,200 kilometres and an overall investment exceeding RMB520 billion. In 2024, the Group has earmarked an investment of RMB62.58 billion to ensure the completion and subsequent opening of four key projects, while also commencing construction on two new projects.

Shandong Road & Bridge was one of the first batch of the 19 enterprises throughout the PRC that was granted a special grade qualification by the Ministry of Construction of China in 2002 to engage in the construction of general contracted expressways engineering projects. It is qualified to engage in the construction of contracted bridge engineering projects, road surface engineering projects and road foundation engineering projects as well as transportation engineering projects and the handling of safety equipment. It is also qualified to directly contract with other constructors to engage in such engineering projects and has the right to directly tender for foreign contracts in relation to road building and management. As at 31 December 2023, Shandong Road & Bridge held equity interests in approximately 130 subsidiaries and 39 other shareholding and joint-stock companies. Collectively, these entities possess over 400 qualifications to engage in construction and reconnaissance engineering, bridges, tunnels, transportation engineering projects, harbours, ports and ship locks. These include two special class qualifications for general contracting of expressway engineering construction, one special class qualifications for general contracting of municipal public works construction and two class-A qualifications for road engineering design and municipal public works engineering design.

Through Shandong Road & Bridge, the Group has undertaken a number of projects and therefore won various awards, such as:

- Qingdao Jiaozhou Bay Bridge, which was the world's longest bridge over water at the time of completion and was ranked by Forbes in September 2011 as one of the "World's Most Incredible Bridges". Qingdao Jiaozhou Bay Bridge won the second prize in the National Technology and Innovation Award in 2011 for the "non-bottom sealing technology in concrete pouring jacket" technique used in its construction. It also won the 12th National Tien-yow Jeme Civil Engineering Prize in 2014, the top civil engineering award in China, and the "George Richardson Award" in 2013, one of the highest international awards for bridges;
- Jinan-Yellow River Bridge, which was the cable-stayed road bridge with the longest length in Asia upon completion;
- Dongying Bridge over the Yellow River, the first steel cable-stayed bridge in China;
- Jinan Yellow River No. 2 Bridge over the Yellow River, constructed in the highest design standard with the largest scale;
- Nanjing No. 2 Bridge over the Yangtze River, which was ranked top among cable-stayed bridges in China and third worldwide in terms of span length;
- Lijin Highway Bridge over the Yellow River, which was constructed in the BOT model and the first supersized bridge constructed with public financing;
- "Binzhou-Yellow River Bridge Construction Integrated Technology Research" won National Science and Technology Progress Award Second Prize;
- "Tunnel and Underground Construction Substantial Water Disaster Management Key Technology and Engineering Application" won the National Science and Technology Progress Award Second Prize;
- Jinan Bandaoting Interchange on Southeast 2nd Ring Road won two Provincial Transportation Quality Control third prize;
- the Construction of Binzhou Highway Bridge over the Yellow River and Nanjing No. 3 Bridge over the Yangtze River has been recorded in the book of New Records of Chinese Enterprises attributable to the advanced technologies applied in the construction;
- the Construction of the Leshan-Yibin Expressway won the Quality Engineering Award in a national key infrastructure project construction competition;
- the Product Upgrade Project of BMW Brilliance Automotive Co., Ltd. (Tiexi Factory Area) won the first batch of China Construction Engineering Luban Award from 2022 to 2023;
- Ningbo Metro Line 4 Project won the first batch of National High-quality Engineering Gold Awards for 2022-2023;
- the newly built Linyi-Qufu Section of the Rizhao-Lankao High-speed Railway won the first batch of National High-quality Engineering Awards for 2022-2023;
- the Jinan-Qingdao expressway reconstruction and expansion project was selected for the Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎), which is another important award the project won after winning the Luban Prize and the National Quality Engineering Award (國家優質工程獎) in 2023;
- the reconstruction and expansion project of the Tai'an to Zaozhuang section of the Beijing-Taiwan Expressway won the Global Road Achievement Award (全球道路成就獎) in 2023;



- the Beijing-Shanghai Expressway Jinan connection project won the Luban Prize in 2023; and
- the Renovation and expansion of the section from Dezhou (Shandong-Hebei boundary) to Qihe on the Beijing-Taiwan Expressway, the Xintai-Ningyang section of the Dongjiakou-Liangshan (Shandong-Henan boundary) highway, the section from Ningyang to Liangshan (Shandong-Henan boundary), and the section from Xintai to Taierzhuang (Lusujie) Highway Xintai to Taierzhuang Malantun section, Lanshan to Heze Highway Linzao Expressway to Zaomu Expressway section, Longkou-Qingdao Highway Longkou to Laixi (Shenhai Expressway) section, the reconstruction and expansion of the Laiwu to Linyi section (Lusujie) from Beijing-Shanghai Expressway and the Wendeng to Laiyang expressway projects won the National Quality Engineering Award (國家優質工程獎) in 2023.

In recognition of its excellence, Shandong Road & Bridge had been awarded multiple national awards in China, such as:

- on ten separate occasions, the China Construction Engineering Luban Prize by the China Construction Industry Association (中國建築業協會) and the Ministry of Housing and Urban-Rural Construction of the PRC (中華人民共和國住房和城鄉建設部);
- on three separate occasions, National Award for Quality Engineering and Construction by the Committee of the National Engineering Construction Quality Award (國家工程建設質量獎審定委員會);
- on six separate occasions, the National Gold Award for Quality Engineering and Construction by the Committee of the National Engineering Construction Quality Award (國家工程建設質量獎審定委員會);
- on nine separate occasions, the National Silver Award for Quality Engineering and Construction by the Committee of the National Engineering Construction Quality Award (國家工程建設質量獎審定委員會);
- on one separate occasion, the State Scientific and Technological Progress Award by China Highway and Transportation Society (國家公路學會); and
- on five separate occasions, Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎).

As at 31 December 2021, 2022 and 2023, Shandong Road & Bridge's total assets amounted to approximately RMB83.4 billion, RMB103.1 billion and RMB139.5 billion, respectively. Its total operating revenue amounted to approximately RMB57.5 billion, RMB65.0 billion and RMB73.0 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

#### ***New Construction Projects Signed***

Over the years, the Group has expanded its overseas operations to many developing economies such as Bangladesh, Columbia, Morocco, Nepal, Pakistan, Timor-Leste, Algeria, Angola, Kazakhstan, South Sudan and Vietnam.

#### ***Foreign Economic and Technological Projects Undertaken on Behalf of the PRC Government***

The Group undertakes foreign projects on behalf of the PRC government through China Shandong International Economic and Technological Cooperation Corporation (中國山東國際經濟技術合作公司) (“CSIETCC”). CSIETCC was established in 1984 with the approval of the State Council of the PRC and is a large state-owned enterprise with qualifications to undertake overseas projects. It has also met the requirements of the ISO 9001 Quality Management System, the OHSAS/1800 1 Occupational Health and Safety Assessment Series and the ISO 14001 Environmental Management System. CSIETCC became a wholly-owned subsidiary of the Group in 2008.

Since its establishment, CSIETCC has engaged in foreign contracted engineering, labour service export, human resource development and foreign trade and investment. CSIETCC has become increasingly active in the international market and has established approximately 57 affiliate offices in 30 countries capable of undertaking as at 31 December 2023:

- foreign economic and technological aid projects of the PRC government;
- import and export trade;
- foreign governmental loans and domestic governmental purchase;
- overseas investment;
- incorporation of wholly-owned, joint-venture and cooperative enterprises;
- overseas real estate development;
- domestic and overseas project purchasing bidding; and
- exhibition and advertising.

Over the years, CSIETCC has been contracted to build various influential engineering projects related to water conservation, buildings, transportation, municipal administration, petroleum and electrical power, including the construction of the Serbia Expressway, which is a section of the Pan-European corridor in Belgrade, the construction of the Serbia Chinese Cultural Centre, Serbia “Danube Corridor” Expressway, the construction of the state road of 1B Category No. 27 Loznica – Valjevo – Lazarevac, Section Iverak-Lajkovac in Serbia, the construction of the Belgrade-Zrenjanin-Novı Sad highway in Serbia and the construction of the Banja Luka-Prijedor highway in Bosnia and Herzegovina.

As at 31 December 2021, 2022 and 2023, CSIETCC’s total assets amounted to approximately RMB2.4 billion, RMB3.2 billion and RMB3.2 billion, respectively. Its total operating revenue amounted to approximately RMB0.5 billion, RMB1.1 billion and RMB1.8 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

### **Trading**

The Group’s trading business mainly consists of sale of fuel oil, including the sale of the fuel oil at the gas station in the service area of the expressway and the bulk oil sales business.

For the years ended 31 December 2021, 2022 and 2023, the Group’s operating revenue generated from its trading business amounted to approximately RMB41.9 billion, RMB39.5 billion and RMB40.3 billion, respectively, representing approximately 22.6 per cent., 18.5 per cent. and 16.7 per cent., respectively, of the Group’s total operating revenue for the same years.

### **Financial Services**

The Group has established a multi-channel financing platform to develop the Group’s financial services and other businesses.

In order to expand its financial services business, the Group plans to implement a two-wheel development mechanism and focus on the joint development of international trade and finance.

### ***WCC Bank***

WCC Bank is a city commercial bank in Weihai, Shandong province, in which the Group held 47.16 per cent. of equity interest as at the date of this Offering Circular. WCC Bank was established on 21 July 1997 and as at 31 December 2023, had approximately 126 branches in various cities in the PRC,

including Jinan, Tianjin and Qingdao, and approximately 3,319 employees. On 12 December 2007, with the approval of the China Banking Regulatory Commission, WCC Bank established its first branch in Jinan, Shandong province, becoming the first PRC city commercial bank with a branch in another PRC provincial capital city. WCC Bank is one of the large enterprise-owned banks managed by a provincial State-owned Assets Supervision and Administration Commission in the PRC.

WCC Bank's business includes accepting public deposits; issuing short-term, medium-term, and long-term loans; handling domestic and foreign settlements; processing bill acceptance and discounting; issuing financial bonds; acting as an agent for the issuance, redemption and underwriting of government bonds; buying and selling government bonds and financial bonds; engaging in interbank lending; buying and selling, acting as an agent for foreign exchange transactions; engaging in bank card services; providing letter of credit services and guarantees; acting as an agent for the collection and payment of funds and for insurance business; offering safe deposit box services; and conducting business approved or registered by banking regulatory authorities or other institutions with administrative licensing authority.

Since its establishment, WCC Bank has adopted a strategy of serving the local economy including small and medium-sized enterprises, local citizens and Shandong's transportation industry. In line with these strategies, WCC Bank has recently focused on providing specialised support for small and medium enterprises in the high-tech industry, which has enabled it to not only foster growth in the local economy, but also tap into the fast-growing high-tech industry. In recent years, WCC Bank has also expanded its operations in international markets by engaging in cross-border remittance, foreign currency loans and trade financing. With its high-quality services and good performance, WCC Bank has won various awards and recognitions from all sectors of society over the past years, including the Chinese Financial Institutions Gold List – Golden Dragon Award for Top Ten Urban Commercial Banks Nationwide, the Most Competitive Small and Medium-Sized Bank, the Special Prize for National Enterprise Party Building Brand Innovation Achievement, the Special Prize for National Strong Brand Excellent Case, the National Top Ten Mobile Banking Innovation Award, the Leader in National Bank Retail Outlet Service Area Enterprise Standards, the China Financial Industry Enterprise Culture Construction Demonstration Unit, the Social Responsibility Enterprise in Shandong, the Shandong Province Banking Industry ESG Class A Unit, the First Batch of Class A Tax Payment Financial Units in Shandong Province, the Leader of Corporate Standards in Bank Outlet Service in China and Star Prize for Excellent Cases of Brand Enterprises in China.

WCC Bank is continually expanding its corporate banking, retail banking, small enterprises banking, international businesses and financial market businesses and may from time to time explore any appropriate public listing opportunities.

As at 31 December 2021, 2022 and 2023, WCC Bank's total assets amounted to approximately RMB304.5 billion, RMB343.7 billion and RMB392.1 billion, respectively. Its total operating revenue amounted to approximately RMB13.8 billion, RMB15.3 billion and RMB16.4 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

### ***Insurance***

The Group's insurance business is mainly conducted by the Taishan Insurance. Taishan Insurance is a national property insurance company established by 16 large state-owned enterprises in Shandong province with the approval of China Insurance Regulatory Commission. It is also the first insurance institution registered in Shandong province, with a registered capital of RMB2.7 billion as at 31 December 2023. On 29 December 2010, Taishan Insurance commenced its business with the approval of China Insurance Regulatory Commission,

Taishan Insurance engages in businesses including property loss insurance, liability insurance, credit insurance, guarantee insurance, short-term health insurance and accident insurance. Its business operation covers areas such as Shandong province, Hebei province, Jiangsu province, Inner Mongolia autonomous region, Zhejiang province, Beijing city, Henan province, Shaanxi province and Shanxi province.

As at 31 December 2021, 2022 and 2023, Taishan Insurance's total assets amounted to approximately RMB5.8 billion, RMB6.0 billion and RMB5.5 billion, respectively, and its total operating revenue amounted to approximately RMB2.2 billion, RMB2.7 billion and RMB2.8 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

### ***Leasing***

As one of the Group's key financial service sectors, the Group's financial leasing business was mainly conducted by the ST Financial Leasing and the SG Financial Leasing.

ST Financial Leasing was established on 6 June 2016 with a registered capital of RMB1.65 billion as at 31 December 2023. As at 31 December 2021, 2022 and 2023, ST Financial Leasing's total assets amounted to approximately RMB17.2 billion, RMB20.5 billion and RMB24.5 billion, respectively, and its total operating revenue amounted to approximately RMB1.5 billion, RMB1.5 billion and RMB1.6 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

SG Financial Leasing was established on 8 June 2012 with a registered capital of US\$365.0 million as at 31 December 2023. As at 31 December 2021, 2022 and 2023, SG Financial Leasing's total assets amounted to approximately RMB12.8 billion, RMB8.6 billion and RMB7.4 billion, respectively, and its total operating revenue amounted to approximately RMB0.9 billion, RMB0.7 billion and RMB0.2 billion, respectively, for the years ended 31 December 2021, 2022 and 2023.

### **Emerging Industry and Other Businesses**

Apart from the businesses described above, the Group also conducts emerging industry and other businesses including new energy, new materials and green chemical.

#### ***New energy***

The Group entered into the new energy business in 2022 via the acquisition of BECE. On 4 March 2022, BECE entered into the subscription agreement with Profit Plan Global Investment Limited, an indirect wholly-owned subsidiary of SDHG, pursuant to which BECE has conditionally agreed to allot and issue, and Profit Plan Global Investment Limited has conditionally agreed to subscribe shares of BECE. On 19 May 2022, all the conditions precedent under such subscription agreement have been fulfilled and the subscription of shares was completed. BECE was renamed as SHNE in August 2022. Upon completion, SDHG has become the controlling shareholder of SHNE. It is expected that SHNE will become a new energy flagship enterprise of SDHG and the Group. The Group's new energy business mainly consists of the new energy (photovoltaic, wind power generation), new materials and green chemical and other emerging industries.

As at 31 December 2023, the installed capacity of the Group's photovoltaic and wind power generation exceeds 4.5GW. SHNE has total assets amounting to RMB54.7 billion and owns 54 centralised photovoltaic power stations, over 200 distributed photovoltaic power stations and 19 wind power stations across 23 provinces (districts, cities) in China. The installed capacity of the Group's distributed photovoltaic ranks first in the industry nationwide, and the total installed capacity of the Group's photovoltaic and wind power ranks at the top of the second tier nationwide. Furthermore, the Group pioneered the expressway photovoltaic power generation project in China, developed and published the first local standard for expressway photovoltaic power generation as the leading member, constructed

first zero-carbon service area smart management system in China based on independent research and development, and participated in the construction of the country's first self-neutralised “zero-carbon service area” – the Jinan East Expressway Service Area.

### ***New Materials***

The Group conducted its new materials business through its subsidiaries, namely, Shandong Hi-Speed Construction Materials Co. Ltd. (山東高速建材集團有限公司) (“**Construction Materials**”) and Shandong Hi-Speed Materials Technology Development Group Co., Ltd. (山東高速材料技術開發集團有限公司) (formerly known as Qilu Transportation Materials Technology Development Co., Ltd. (齊魯交通材料技術開發有限公司)) (“**Material Technology**”).

Construction Materials is a flagship enterprise of highway materials in Shandong province, ranking among the top in China in terms of its capabilities in asphalt storage, transportation, processing and sale. It has established 16 modified asphalt production lines, boasts an asphalt tank capacity exceeding 500,000 tonnes, a steel storage capacity also over 500,000 tonnes and a daily asphalt transportation capacity of 12,000 tonnes. Additionally, it operates two SHFE (Shanghai Futures Exchange) accredited petroleum asphalt delivery warehouses in Shandong province.

Materials Technology actively constructs an industrial layout that integrates R&D, sales and after-sale technical service for on road performance of steel and cement. It also encompasses the integration of production, processing, sales and installation of raw materials for traffic safety facilities and the integration of production, processing and sales of aggregate material mining and concrete to provide support for highway construction and development.

### ***Green Chemical***

The Group conducted its green chemical business through its subsidiary, Energy Development, which primarily focuses on the green high-end chemical industry, development and utilization of new energy and renewable resources. The first phase of the paraxylene (“**PX**”) project, with an annual output of 2 million tonnes, was followed by the production of the purified terephthalic acid (“**PTA**”) project with an annual output of 2.5 million tonnes. Subsequently, the second phase of PX project, also with an annual output of 2 million tonnes, was put into production in 2020 and 2022, respectively. This series of development is gradually shaping an industrial chain with an output value of nearly RMB100 billion, thereby closing the PTA production gap in Shandong province.

For the years ended 31 December 2022 and 2023, the Group's operating revenue generated from its new energy business amounted to approximately RMB2.9 billion and RMB4.4 billion, respectively, representing approximately 1.4 per cent. and 1.8 per cent., respectively, of the Group's total operating revenue for the same years.

### ***Others***

#### *Construction Planning, Design and Supervision Consultations*

As to the other businesses, the Group conducted its construction planning, design and supervision consultations business through its subsidiaries, namely, Shandong Transportation Planning and Design Institute Group Co., Ltd. (山東省交通規劃設計院集團有限公司) (“**Transportation Planning and Design**”) and Shandong Hi-Speed Engineering Consulting Group Co., Ltd. (山東高速工程諮詢集團有限公司) (“**Engineering Consulting**”).

Transportation Planning and Design is primarily involved in comprehensive transportation and evelopment of urban and rural areas, covering a wide array of sectors, such as highway, municipal public works, house building, shipping and geotechnical engineering. It boasts the capability to provide a full spectrum industry chain service, which include comprehensive planning, high-end consultation, engineering consultation, surveying and design, project management, project general contracting as well as scientific R&D, coupled with the transformation of these achievements. In 2016, Transportation

Planning and Design was recognised as the national high-tech enterprise and has won over 200 provincial and ministerial awards, including the National Science and Technology Progress Award (First Level), National Excellent Design Award (Gold Medal) and the National Quality Engineering Award.

Engineering Consulting specialises in areas such as industrial consulting, project management, supervision, testing, infrastructure health monitoring for sectors such as highways, railways, buildings, civil air defence, water transportation, municipal administration. It holds 47 supervision and testing qualifications, of which 29 are class-A qualifications. Engineering Consulting's credentials in highway, water transportation, railways, building, civil and defence, supervision and testing are among the most prestigious in the industry.

#### *Transportation Derivative Industry*

**Comprehensive Logistics Industrial Park** – The Group is actively engaged in the development of comprehensive logistics industrial parks. As at the date of this Offering Circular, the Group has seven logistics parks under construction or operation in Qingdao, Linyi, Jinan, Weifang, Rizhao, Zibo and Xinjiang covering a total area of more than 2800 mu with a storage area of 820,000 square metres and railway network of 11.75 kilometres. The Group ranks first in terms of the asset scale of self-owned logistics parks among all enterprises of Shandong province.

In 2022 and 2023, several of the Group's projects have garnered recognition. These include the Jinan Airport Comprehensive Bonded Logistics Park, Linyi National Forestry Demonstration Park, Linyi High-tech Logistics Industrial Park and Xinjiang International Logistics Industrial Park. All have been selected as part of the “National Comprehensive Freight Hub Chain Supplement and Strengthening Projects”.

**Logistics** – In accordance with the directives of the Shandong Provincial Party Committee and the provincial government, the Group has managed the coordinated operations of the “Shandong” China-Europe Railway Express since October 2018. As of 2023, 2,566 trains of “Shandong” China-Europe Railway Express are operated, securing the fourth position in China in terms of the total number of trains launched. The route offers direct connections to 24 countries and 56 cities along the “Belt and Road Initiative”. It has established a significant international logistics channel connecting Northeast Asia and Eurasian continent, providing substantial support for Shandong's deeper integration into the “Belt and Road Initiative”.

**Information Industry** – Shandong Hi-Speed Xinlian Technology Co., Ltd. (山東高速信聯科技股份有限公司) (“**Xinlian**”), a subsidiary of the Group, stands as a prominent player in China's electronic toll collection (ETC) distribution service industry and has evolved into a data technology company which has formed a distinctive vehicle-related ecosystem. With a focus on the transportation and logistics industry, Xinlian dedicates itself to offering ETC services for vehicle users along with a suite of comprehensive vehicle-related services based on ETC, including data technology, contactless fueling, intelligent parking and intelligent car washing. It pioneered the truck ETC business model in China and has maintained the lead in business scale nationwide for nine consecutive years. Xinlian also first created the ETC Internet distribution model and boasts over 30 million ETC users, representing one-seventh of China's total, with an annual turnover of approximately RMB100 billion, accounting for one-fourth of the national turnover.

Shandong Hi-Speed Information Group Co., Ltd. (山東高速資訊集團有限公司) (“**Information Group**”), a subsidiary of the Group, operates primarily in electromechanical integration, technology R&D and data operation. As a date technology entity within the transportation and information industry, it holds 94 qualifications, 93 industry certifications, 286 patents, 684 software copyrights and 112 registered software products. It has earned recognition for nine scientific research platforms at the ministerial and provincial levels and has undertaken four national key science and technology projects. Its business outreach extends to 30 provincial-level administrative regions across China. It has been

honoured with titles such as “National High-tech Enterprise”, “National IPR (Intellectual Property Right) Advantageous Enterprise”, “Shandong Gazelle Enterprise”, “Shandong Major Big Data Enterprise” and “Ten Key Industry-cluster Leading Enterprise in Shandong Province”.

#### *Financial Leasing and Fund Management*

Shandong Hi-Speed Investment Holding Co., Ltd. (山東高速投資控股有限公司) (“**Investment Holding**”) serves as the investment and capital operation platform of SDHS, functioning as an industry-finance collaboration platform and a domestic industrial financial service platform. Guided by the Group strategy vision and driven by a profit-oriented and innovation approach, Investment Holding concentrates on two core businesses of financial leasing and fund management. It focuses on industrial investment and asset operations, emphasizing its investment functions, fostering the integration of industry and finance and supporting the high-quality development of the Group.

Tonghui Capital Investment, recognised as a “Stable Profit Contributor”, “Asset Management Technology leader” and “Innovative Development Pioneer” within SDHS, operates across various domains including fund investment, asset management, asset management technology, financial leasing, commercial factoring, supply chain finance. Tonghui Capital Investment boasts a leading position in Shandong Province in terms of the scale of digital medium, small, and micro financial assets. In the future, it aspires to establish itself as China’s first-class digital asset management company with continuous innovation capabilities.

## **ENVIRONMENTAL MATTERS**

The Group’s operations are subject to various environmental laws. As at the date of this Offering Circular, compliance with such laws has not had, and, to the Group’s knowledge (after due and careful enquiry), is not expected to have, a material adverse effect upon the Group’s capital expenditures, earnings or competitive position.

## **EMPLOYEES**

As at 31 December 2023, the Group had a total of approximately 58,801 employees. Staff benefits include salaries, provident fund, insurance and medical cover and housing. The Group believes that its employees are critical to its success and is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. As at the date of this Offering Circular, the Group has not experienced any strikes or disruptions due to labour disputes. The Group considers its relations with its employees to be good.

Staff remunerations of the Group are determined according to the position, qualifications and experience, capabilities and work performance of the staff with reference to market trends.

## **INSURANCE**

The Group is covered by insurance policies which mainly cover fire, flood, other material damage to property and public liability. The Group believes that its properties are covered with adequate insurance provided by independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate.

Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group’s business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material and adverse effect on the Group’s financial condition and results of operations.

## **LEGAL, COMPLIANCE AND PROCEEDINGS**

As at the date of this Offering Circular, the Group is not aware of itself or any of its subsidiaries being involved in any litigation or arbitration proceeding that would have a material and adverse effect on the Group's business or financial position as a whole, and to the best knowledge of the Group, there is no litigation or claim against the Group pending or threatened, which may have a material and adverse effect on the Group's business or financial position as a whole.



## DIRECTORS AND MANAGEMENT OF THE COMPANY

### Board of Directors of the Guarantor

The Board of Directors of the Guarantor consists of the Strategy, Investment and Finance Analysis Committee, the Remuneration and Evaluation Committee and Audit Management Committee. As at the date of this Offering Circular, the Board of Directors of the Guarantor consists of the following members:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Wang Qifeng (王其峰) . . . . .	58	Chairman of the Board of Directors and Secretary of the Communist Party Committee
Sun Fuchun (孫付春) . . . . .	49	Director, General Manager and Deputy Secretary of the Communist Party Committee
Li Guangjin (李廣進) . . . . .	57	Director and Deputy Secretary of the Communist Party Committee
Wang Guang (王光) . . . . .	56	External Director
Xu Libo (徐立波) . . . . .	53	External Director and Chief Financial Officer
Song Jingyan (宋靖雁) . . . . .	60	External Director
Sun Yunwei (孫運偉) . . . . .	56	External Director
Su Qun (蘇群) . . . . .	56	External Director

The biographies of the Guarantor's directors as at the date of this Offering Circular are as follows:

#### **Wang Qifeng**

##### ***Chairman of the Board of Directors and Secretary of the Communist Party Committee***

**Mr. Wang Qifeng (王其峰)**, born in 1966, is a member of the Communist Party of China and holds a master's degree in Engineering. He successively served as clerk of the Technology Division (including temporarily assigned as seconded deputy head of the Economics Committee of Shen County), deputy chief clerk and chief-clerk and deputy director of the Technology Education Division, director of the Construction Management Division, director of the General Office, deputy director and member of the Communist Party Committee of Shandong Provincial Transportation Department (山東省交通運輸廳) and director, general manager and deputy secretary of the Communist Party Committee of the Guarantor. Mr. Wang is currently the chairman of the board of directors and secretary of the Communist Party Committee of the Guarantor.

#### **Sun Fuchun**

##### ***Director, General Manager and Deputy Secretary of the Communist Party Committee***

**Sun Fuchun (孫付春)**, born in 1975, is a member of the Communist Party of China and holds a master's degree in Public Management from the Shandong Provincial Party School. He successively served as officer of the Economic Commission of Xuefang Town, Laiyang City, a government clerk and secretary of the Youth League Committee of Xuefang Town, Laiyang City, a staff member and deputy director of the office of the Propaganda Department of Laiyang Municipal Committee, secretary of the Youth League Committee of Laiyang City, deputy secretary of the Communist Party Committee and mayor of Jiangtuan Town, Laiyang City, secretary of the Communist Party Committee and chairman of People's Congress of Jiangtuan Town, Laiyang City, member of the standing committee and director of the Laishan District Committee of Yantai City, member of the standing committee of the Laizhou Municipal Committee, deputy mayor and deputy secretary of the Communist Party Committee of Laizhou City, deputy secretary of the Zhaoyuan Municipal Committee, mayor and secretary of the Communist Party Committee of Zhaoyuan City, secretary of Communist Party Committee and chairman of the board of directors in Yantai Port Group Co., Ltd., member of the standing committee of the

Communist Party Committee and deputy general manager of Shandong Port Group Co., Ltd., member of the Communist Party Committee and deputy mayor of Weihai City. Mr. Sun is currently a director, general manager and deputy secretary of the Communist Party Committee of the Guarantor.

### **Li Guangjin**

#### ***Director and Deputy Secretary of the Communist Party Committee***

**Mr. Li Guangjin (李廣進)**, born in 1967, is a member of the Communist Party of China and holds a bachelor's degree. Mr. Li started work since July 1989. He successively served as a clerk and an officer of the Planning and Accounting Division of Shandong Provincial Taxation Bureau (山東省稅務局), clerk and deputy chief clerk of the Planning and Accounting Department, deputy chief clerk, chief clerk and deputy head of the office of the Planning and Finance Department, deputy director and director of the Second Tax Administration Division, director of the Enterprise Income Tax Division, director of the Human Resources Division of Shandong Provincial Local Taxation Bureau (山東省地方稅務局), director of the Human Resources Division, director of the Organisation Department of the Communist Party Committee and first-level researcher of the Shandong Provincial Taxation Bureau of the State Administration of Taxation (國家稅務總局山東省稅務局). Mr. Li is currently a director and the deputy secretary of the Communist Party Committee of the Guarantor.

### **Wang Guang**

#### ***External Director***

**Mr. Wang Guang (王光)**, born in 1968, is a member of the Communist Party of China and holds a bachelor's degree. Mr. Wang started working in 1991. He once served as publicity officer of the Political Department of the Shandong Provincial Bureau of Civil Aviation, discipline inspection inspector, inspector, office secretary section chief, office deputy director, director of the Party Committee Organization Department, head of the Political Work Department of Jinan International Airport Co., Ltd., and party secretary of the Field Command and Support Center, branch secretary and deputy director, office director of Shandong Airport Co., Ltd., secretary of the board of directors, secretary of the board of directors and director of the safety supervision department of Jinan International Airport Co., Ltd., member of the party committee and chairman of the labor union of Shandong Airport Co., Ltd., member of the party committee and chairman of the labor union of Shandong Airport Group Co., Ltd. He currently serves as an external director of the Guarantor.

### **Xu Libo**

#### ***External Director and Chief Financial Officer***

**Ms. Xu Libo (徐立波)**, born in 1971, is a member of the Communist Party of China and holds a master's degree in Business Administration. Ms. Xu started work since July 1993. She successively served as a clerk of the general office, clerk of the administrative bureau, deputy clerk of the charging department of the Construction Command Centre of Jinan-Qingdao Expressway, deputy manager of the Finance Department of Shandong Infrastructure Co., Ltd. (山東基建股份公司), deputy head of the Finance Department of Shandong Expressway Co., Ltd. (山東省高速公路集團有限公司), deputy general manager, chief accountant, member of Communist Party Committee and director of Shandong High-Speed Real Estate Development Co., Ltd (山東高速置業發展有限公司), deputy general manager, chief accountant and member of Communist Party Committee of Shandong Hi-Speed Qilu Construction Group Co., Ltd. (山東高速齊魯建設集團), deputy director, chief accountant of Finance Management Department, director of Capital Management Centre and director of Fund Department of Shandong Energy Group Co., Ltd. (山東能源集團有限公司), and head of the Office of Construction and Preparation, chief accountant of Finance Management Department, director of the Fund Department, chief of the Capital Management Centre, employee director, general manager and chairman of the board of Shandong Energy Group Finance Company (山東能源集團財務公司), the external director and chief financial officer of the Guarantor. Ms. Xu is currently an external director and chief financial officer of the Guarantor.

## **Song Jingyan**

### ***External Director***

**Mr. Song Jingyan (宋靖雁)**, born in 1964, holds a doctor's degree. Mr. Song started working since July 1988. Previously, he took up several roles in the Department of Automation of Tsinghua University, including teaching assistant, lecturer, associate professor and associate dean. He also took up several roles at the Department of Systems Engineering and Engineering Management of The Chinese University of Hong Kong, including research assistant and associate research fellow. He also served as the Deputy Head of the panel of China Intelligent Traffic Framework Automatic Highway System (中國智慧交通框架體系自動公路系統) of the Ministry of Transport of the PRC (中華人民共和國交通運輸部) and a visiting scholar of California Partners for Advanced Transportation Technology ("PATH") of the University of California, Berkeley. Mr. Song served as an independent non-executive director of the Guarantor before. From December 2005 to the present, he has served as expert of the expert team of the National 863 High-tech Project (國家863高科技項目). From July 2010 to the present, he has served as a professor at the Department of Automation of Tsinghua University. From November 2014 to the present, he has served as an independent director of the Third Board of Directors of Xingmin Intelligent Transportation Systems (Group) Co., Ltd (興民智通(集團)股份有限公司), a PRC-listed company (stock code: 002355). Mr. Song is currently an external director of the Guarantor.

## **Su Qun**

### ***External Director***

**Mr. Su Qun (蘇群)**, born in 1968, is a member of the Communist Party of China and holds a bachelor's degree. Mr. Su started working in 1988. He once worked in Xinwen Mining Bureau and Xinwen Mining Group Co., Ltd. He served as the director of the risk and legal department, deputy general counsel, and deputy chief economist of Shandong Energy Group Co., Ltd. He later served as an external consultant at Shandong Airport Management Group Co., Ltd. and director (full time) of Shuifa Group Co., Ltd. He currently serves as an external director of the Guarantor.

## **Supervisors of the Guarantor**

As at the date of this Offering Circular, the Guarantor has no supervisor.

## **Senior Management of the Guarantor**

As at the date of this Offering Circular, the members of the senior management (including directors and non-director senior management members) of the Guarantor includes the following members:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Wang Qifeng (王其峰) . . . . .	58	Chairman of the Board of Directors and Secretary of the Communist Party Committee
Sun Fuchun (孫付春) . . . . .	49	Director, General Manager and Deputy Secretary of the Communist Party Committee
Li Guangjin (李廣進) . . . . .	57	Director and Deputy Secretary of the Communist Party Committee
Wang Guang (王光) . . . . .	56	External Director
Xu Libo (徐立波) . . . . .	53	External Director and Chief Financial Officer
Song Jingyan (宋靖雁) . . . . .	60	External Director
Sun Yunwei (孫運偉) . . . . .	56	External Director
Su Qun (蘇群) . . . . .	56	External Director
Fang Jianguo (房建果) . . . . .	56	Deputy General Manager and Standing Member of the Communist Party Committee
Li Huaifeng (李懷峰) . . . . .	54	Deputy General Manager and Standing Member of the Communist Party Committee

<b>Name</b>	<b>Age</b>	<b>Position</b>
Zhang Yangjin (張仰進) . . . . .	50	Deputy General Manager and Standing Member of the Communist Party Committee
Sai Zhiyi (賽志毅) . . . . .	55	Deputy General Manager and Standing Member of the Communist Party Committee
Tan Xianfeng (譚現鋒) . . . . .	47	Deputy General Manager and Standing Member of the Communist Party Committee
Xu Rongbin (徐榮斌) . . . . .	50	Secretary of the Board of Directors, Director of the General Office (Communist Party Committee Office and General Manager Office)

The biographies of the Guarantor’s members of senior management as at the date of this Offering Circular are as follows:

For the biographies of director members of the senior management of the Guarantor, namely Mr. Wang Qifeng, Mr. Sun Fuchun, Mr. Li Guangjin, Mr. Wang Guang, Ms. Xu Libo, Mr. Song Jingyan, Mr. Sun Yunwei and Mr. Su Qun, See “– Board of Directors of the Guarantor”.

**Fang Jianguo**

***Deputy General Manager and Standing Member of the Communist Party Committee***

**Mr. Fang Jianguo (房建果)**, born in 1968, is a member of the Communist Party of China and holds a doctor’s degree in engineering. He started work since July 1991. He successively served as cadre, deputy chief level cadre of the Engineering Division of Shandong Expressway Bureau (山東省公路管理局), chief clerk of Infrastructure Division of Expressway Bureau, deputy director of Maintenance Division of Expressway Bureau, deputy director of Construction Management Division, division director of Comprehensive Planning Division, chief engineer and first-level researcher of Shandong Provincial Transportation Department (山東省交通運輸廳), the standing member of the Communist Party Committee of the Guarantor. Mr. Fang is currently a deputy general manager and a standing member of the Communist Party Committee of the Guarantor.

**Li Huaifeng**

***Deputy General Manager and Standing Member of the Communist Party Committee***

**Mr. Li Huaifeng (李懷峰)**, born in 1970, is a member of the Communist Party of China and holds a bachelor’s degree. Mr. Li started working in 1991. He served as assistant engineer, engineer, chief engineer (deputy section) of the Bridge Engineering Department, deputy chief engineer, chief engineer, party committee member, vice president, deputy secretary of the Communist Party Committee, and president of the Shandong Provincial Transportation Planning and Design Institute, formerly Qilu Transportation Development Group Co., Ltd., assistant to the general manager, secretary of the Party Committee and chairman (legal representative) of Shandong Transportation Planning and Design Institute Co., Ltd., assistant to the general manager, a standing member of the Communist Party Committee, and deputy general manager of Shandong Expressway Group Co., Ltd. He currently serves as a standing member of the Communist Party Committee and deputy general manager of the Guarantor.

**Zhang Yangjin**

***Deputy General Manager and Standing Member of the Communist Party Committee***

**Mr. Zhang Yangjin (張仰進)**, born in 1974, is a member of the Communist Party of China and holds a master’s degree. Mr. Zhang started working in 1998. He once served as the deputy director of the Enterprise Management Office of Ludong Branch of Shandong Expressway Group Co., Ltd., a staff member of the Investment and Enterprise Management Department of Shandong Expressway Group Co., Ltd., a staff member of the Investment Development Department of Shandong Expressway Group Co., Ltd., deputy director of the Refined Management Office, and deputy director of the Refined

Management Office, deputy minister of the Enterprise Management Department, deputy minister of the Investment and Development Department (Property Rights Management Department), director of the Investment and Development Department (Property Rights Management Department), director (concurrently) of Shandong High-speed Basketball Club Co., Ltd., director (concurrently) of Shandong Hi-Speed Road and Bridge Group Co., Ltd., secretary of the Communist Party Committee and chairman (legal representative) of Shandong Hi-Speed Logistics Group Co., Ltd., secretary of the Communist Party Committee and chairman (legal representative) of Shandong Hi-Speed Qilu Eurasian Train Operation Co., Ltd. (concurrently), deputy director (concurrently) of Shandong Expressway Qingdao Regional Collaborative Development Office. He currently serves as a standing member of the Communist Party Committee and deputy general manager of the Guarantor.

### **Sai Zhiyi**

#### ***Deputy General Manager and Standing Member of the Communist Party Committee***

**Mr. Sai Zhiyi (賽志毅)**, born in 1969, is a member of the Communist Party of China and holds a doctor's degree. Mr. Sai started working in 1992. He once served as accountant in the business department of Industrial and Commercial Bank of China, Weihai Branch, clerk in the credit department for technical transformation, director of the business department of the trust agency, deputy director of Weihai Huao Aluminum Plastic Doors and Windows Co., Ltd., deputy section-level cadre of Industrial and Commercial Bank of China, Weihai Branch, director of the Credit Department of Weihai Urban Cooperative Bank, director of the Credit Department k, president of Shidao Branch, president of Shuntong Branch, leader of the Entrusted Loan Management Team of the Department of Communications, vice president and president of Jinan Branch, member of the Communist Party Committee and president of Jinan Branch of Weihai Commercial Bank, deputy secretary of the Communist Party Committee, director and general manager of Shandong Re-Guarantee Group Co., Ltd., vice chairman, president and deputy secretary of the Communist Party Committee of Weihai Commercial Bank, vice chairman, general manager and deputy Communist Party Committee of SHCL, secretary, deputy general manager of the Guarantor, vice chairman, general manager and deputy secretary of the Communist Party Committee (concurrently) of SHCL, member of the Communist Party Committee, deputy general manager and executive director of SHCL, secretary of the Communist Party Committee and chairman (legal representative) (concurrently) of SHCL. He currently serves as a standing member of the Communist Party Committee and deputy general manager of the Guarantor.

### **Tan Xianfeng**

#### ***Deputy General Manager and Standing Member of the Communist Party Committee***

**Mr. Tan Xianfeng (譚現鋒)**, born in 1977, is a member of the Communist Party of China and holds a doctor's degree. Mr. Tan started working in 1999. He once served as technician of the Geotechnical Engineering Department of Shandong Geological and Mineral Engineering Survey Institute, deputy manager and chief engineer of the Water Supply Engineering Department, deputy manager and technical director of the Algeria Project Department, director of the Surveying and Mapping Engineering Department, director of the Basic Engineering Department, and deputy director of the Zibo Geological Survey Institute, director (in charge of work), vice president and a member of the Communist Party Committee of Lubei Geological Engineering Survey Institute of Shandong Province, deputy secretary and president of the Communist Party Committee of Lunan Geological Engineering Survey Institute of Shandong Province (The Third Hydrogeology and Engineering Geology Brigade of the Provincial Bureau of Geology and Mineral Exploration and Development), deputy secretary of the Communist Party Committee, secretary of the Communist Party Committee, captain of Lunan Geological Engineering Survey Institute of Shandong Province (The Second Geological Brigade of the Provincial Bureau of Geology and Mineral Exploration and Development). He currently serves as a standing member of the Communist Party Committee and deputy general manager of the Guarantor.

**Xu Rongbin**

*Secretary to the Board of Directors, Director of the General Office*

**Mr. Xu Rongbin (徐榮斌)**, born in 1974, holds a bachelor's degree in Medicine. He successively served as a deputy company assistant to the General Affairs Department of Jinan Military Medical College, a political officer of Shandong Expressway Lunan Branch (山東高速魯南分公司), staff of Human resources Department, staff of the Supervisory Office, staff of the Communist Party Committee's working department (supervisory office), office staff, deputy director of office, director of Supervisory Office, deputy secretary of Discipline Inspection Commission, director of Supervisory Office, the secretary of the Discipline Inspection Commission, the director of the Inspection Office, the head of the General Department of the Discipline Inspection Commission, the secretary of the Discipline Inspection Commission of the organization, the member of Party Committee Secretary of the Discipline Inspection Commission and Director of the Comprehensive Office (Party Committee Office, General Manager Office) of the Headquarter of the Guarantor. He is currently the secretary of the board of directors, and the director of the general office (party committee office and general manager office) of the Guarantor.

## **PRC LAWS AND REGULATIONS**

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

### **Government Regulations**

The Group's operations are subject to various laws and regulations in the jurisdictions in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues.

The construction and operation of expressways in the PRC is governed by a regulatory regime specific to the expressway transportation sector.

### **PRC REGULATIONS ON EXPRESSWAY AND RAILWAY CONSTRUCTION AND THE RELEVANT BUSINESS**

The construction, survey, design and operation of expressways and railway in the PRC are subject to the supervision and administration of the relevant government authorities, primarily with respect to qualifications of the entities undertaking the construction, survey and design work, project tendering, quality, safety, checking for the completion of engineering works and environmental protection.

#### **Expressway Regulatory Authorities**

The NDRC is responsible for the overall investment plan of the major expressways as defined in the relevant regulations. The investment plan of other expressway projects must be reviewed and approved by the provincial branches of the NDRC.

The Ministry of Transport is responsible for the overall construction plan and administration on the construction of the major expressway projects as determined by the Ministry of Transport. At a local level, the relevant departments of communications are in charge of highway construction projects within their administrative areas. Responsibility for setting and regulating expressway toll rates, toll terms and toll stations rests with the provincial governments and/or other relevant provincial departments responsible for price, finance and communications.

#### **Expressway and Toll Road Regulations**

The PRC Expressway Law was adopted on 3 July 1997, and was subsequently amended in 1999, 2004 and 2009. Planning, construction, maintenance, management, use and administration of roads within the borders of the PRC, including expressway bridges, expressway tunnels and expressway crossings, shall comply with the requirements of the PRC Expressway Law.

In addition, the construction, management and operation of toll roads (including bridges and tunnels), the location of toll booths and the transfer of interests and benefits of toll roads are subject to the Highway Toll Management Regulations adopted in 2004. A draft amendment to the regulation had sought for public comments by August 2015. As at the date of this Offering Circular, no amendment to the regulation has been put into effect.

## REGULATIONS REGARDING OVERSEAS INVESTMENT, AND FINANCING

### NDRC Supervision

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) issued on 26 December 2017 and which became effect on 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by the NDRC. Projects shall be subject to the filing with the competent governmental body. Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds US\$300 million shall be subject to the filing with NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below US\$300 million shall be subject to the filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Measures for the Administration of Overseas Investment of Enterprises.

On 14 September 2015, the NDRC issued the Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Recordation and Registration System for Enterprises' Issuance of Foreign Debts (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知)(the “**NDRC Circular**”), which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross-border financing, the NDRC Circular abolished the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises. The NDRC issued the NDRC Order 56 on 5 January 2023, which came into effect from 10 February 2023 and replaced the NDRC Circular.

For the purposes of the NDRC Order 56, the medium- and long-term foreign debts of enterprises mentioned in the NDRC Order 56 refer to debt instruments with a tenor of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas companies or branches controlled by them, denominated in local or foreign currency, and of which principal and interest on the foreign debts are repaid as agreed. Debt instruments include, but are not limited to, senior debts, perpetual debts, capital debts, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Order 56.

According to the NDRC Order 56, domestic enterprises and their overseas controlled entities prior to issuing any foreign debts with a tenor of more than one year shall obtain from the NDRC a certificate of review and registration of enterprise borrowing of foreign debts (企業借用外債審核登記證明)(the “**Certificate of Review and Registration**”) and shall report certain details of the foreign debts to the NDRC within ten working days upon the completion of issuance through the online system for the review, registration, management and service of enterprise foreign debts established by the NDRC (the “**NDRC Online Reporting System**”). An enterprise shall, with the Certificate of Review and Registration, go through the relevant procedures of foreign exchange registration, account opening, proceeds receipt, payment and remittance, and use of proceeds in accordance with the applicable laws and regulations.

Moreover, pursuant to the NDRC Order 56, an enterprise shall, among other things, (i) report certain details of the foreign debts to the NDRC within ten working days upon the completion of issuance; (ii) within ten working days after expiry of the NDRC Certificate or the Certificate of Review and Registration, report the foreign debts borrowing information through the NDRC Online Reporting System; (iii) within five working days before the end of January and end of July of each year that any of the foreign debts remains outstanding, report the information relating to, *inter alia*, use of proceeds,



repayment of principal and interest and related plans, and major business indicators, through the NDRC Online Reporting System; and (iv) so long as any of the foreign debts remains outstanding, submit relevant information to the NDRC upon the occurrence of any material event that may affect the due performance of debt obligations, such as liquidity issue or significant assets restructuring, and take measures to isolate such risks to prevent cross default risks. If the enterprise fails to report the relevant information described above in accordance with the NDRC Order 56, the NDRC may direct the enterprise to make corrections within a prescribed time period and if the violation is serious or if the enterprise fails to correct within the prescribed time period, the NDRC may give a warning to the relevant enterprise and its main responsible persons.

As the NDRC Order 56 were issued recently, certain detailed aspects of its interpretation and application remain subject to further clarification.

### **MOFCOM Supervision**

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

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

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

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

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

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

### **Cross-Border Guarantee Laws**

On 12 May 2014, SAFE promulgated the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees and the relating implementation guidelines (collectively the “**New Regulations**”). The New Regulations, which came into force on 1 June 2014, has replaced twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) providing that the validity of any cross border security agreement is no longer subject to SAFE approval, registration, filing, or any other SAFE administrative requirements; and (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸)(“**NBWD**”): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.
- Wai Bao Nei Dai (外保內貸)(“**WBND**”): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.
- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (and 15 working days after the date of any change to the major provisions of the guarantee contract). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. The onshore security provider can pay to the offshore creditor direct (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer’s equity shares must be fully or partially held directly or indirectly by an onshore security provider. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

On 18 January 2017, SAFE issued the Circular on Further Promoting the Reform of Foreign Exchange Administration and Improving the Genuineness and Compliance Review and Verification Process (《關於進一步推進外匯管理改革完善真實合規性審核的通知》)(the “**SAFE Circular 3**”), which eases certain restrictions on the use of proceeds raised under a NBWD structure and generally allows the proceeds raised under a NBWD structure to be repatriated onshore and used in the PRC by way of loans and

equity investments. The second series of the Policy Q&As in relation to the SAFE Circular 3 (《國家外匯管理局關於進一步推進行匯管理改革完善真實合規性審核的通知》(匯發(2017)3號)政策問答(第二期)) (“**Policy Q&As in relation to the SAFE Circular 3**”) published by SAFE on its official website on 27 April 2017 further clarified that, for offshore bond issuance by offshore entities which is secured by PRC onshore guarantees, the restrictions on the use of proceeds for offshore bond issuance as mentioned in the New Regulations above still apply despite the SAFE Circular 3. However, in practice, application or exemption of such restrictions on the use of proceeds to a large extent remains subject to SAFE’s discretion on a case-by-case basis.

The SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3 are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the SAFE Circular 3 and Policy Q&As in relation to the SAFE Circular 3.

### **Foreign Exchange Administration**

SAFE issued the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》(一)) on 13 February 2015, which became effective from 1 June 2015, abolishing the verification and approval of foreign exchange registration of overseas direct investment. The banks shall directly examine and handle foreign exchange registration of overseas direct investment. SAFE and its branches shall conduct indirect regulation of foreign exchange registration of overseas direct investment via banks.

### **Foreign Exchange Administration**

According to Circular of the State Administration of Foreign Exchange on Further Improving and Revising the Foreign Exchange Control Policy on Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), which was promulgated on 19 November 2012 and revised on 4 May 2015, 10 October 2018 and 30 December 2019, corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013 and revised on 4 May 2015 and Notice by the General Affairs Department of the State Administration of Foreign Exchange of Issuing the Guidelines for the Foreign Exchange Business under the Capital Account (2024) (《國家外匯管理局關於印發《資本項目外匯業務指引(2024年版)》的通知》) as issued by SAFE on 3 April 2024, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days after the closing of foreign debt. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 11 January 2017, the People's Bank of China (“**PBOC**”) issued the Cross-Border Financing Circular, which came into effect on the same date. The Cross-Border Financing Circular established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale.

According to Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment effective from 1 June 2015 and last amended on 30 December 2019, banks will review and carry out foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks. The domestic institution may select the banks in the places where they are registered for carrying out foreign exchange registration before proceeding with such operations as opening of the direct investment related account and fund remittance/settlement (including outbound remittance or inbound remittance of profits and dividends).

## TAXATION

*The following summary of certain Hong Kong, PRC and British Virgin Islands tax consequences of the purchase, ownership and disposition of Securities is based upon applicable laws, regulations, rulings and decisions as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Securities should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Securities, including such possible consequences under the laws of their country of citizenship, residence or domicile.*

### **Hong Kong Taxation**

#### ***Withholding Tax***

No withholding tax is payable in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Securities) or distributions in respect of the Securities.

#### ***Profits Tax***

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “**Inland Revenue Ordinance**”) as it is currently applied by the Inland Revenue Department, distribution on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried in Hong Kong in the following circumstances:

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

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

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

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 (Cap. 112) of Hong Kong (the “**Amendment Ordinance**”) came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced distribution on the Securities

and gains from the sale, disposal or redemption of Securities accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong are regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when they are received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

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

### ***Stamp Duty***

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Security for so long as the register of holders of the Securities is maintained outside Hong Kong or the Securities continue to be denominated in U.S. dollars and cannot to any extent be redeemed in Hong Kong dollars.

### **PRC Taxation**

The following summary describes the principal PRC tax consequences of ownership of the Securities by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC holders of the Securities in this “*Taxation – PRC Taxation*” section. In considering whether to invest in the Securities, investors should consult their individual tax advisors with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

### ***Income Tax***

The EIT Law which was amended on 29 December 2018, and their implementation regulations which were revised on 23 April 2019 impose a withholding tax at the rate of 10 per cent. (subject to any applicable tax treaty) on PRC-source income paid to a “non-resident enterprise” that does not have an establishment or place of business in China or that has an establishment or place of business in China but the relevant income is not effectively connected therewith. Pursuant to these provisions of the EIT Law, in the event the Company is considered a PRC resident enterprise by the PRC tax authorities, interest payable to non-resident enterprise holders of the Securities may be treated as income derived from sources within China and be subject to 10 per cent. PRC withholding tax. Further, in accordance with the Individual Income Tax Law of the PRC which was revised on 31 August 2018 and took effect on 1 January 2019 and its implementation regulations which were revised on 18 December 2018 and took effect on 1 January 2019, if the Company is considered a PRC tax resident enterprise, interest payable to non-resident individual holders of the Securities may be treated as income derived from sources within China and be subject to a 20 per cent. individual income tax, which may be withheld at source. However, the tax so charged on interests paid on the Securities to non-PRC resident holders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the arrangement between mainland China and Hong Kong for purpose of the avoidance of double taxation will be 7 per cent. of the gross amount of the interest pursuant to the arrangement between mainland China and Hong Kong and relevant interpretation of the arrangement formulated by SAT.

Under the EIT Law and its implementation rules, if the Company is determined to be a PRC resident enterprise, any gains realised on the transfer of the Securities by holders who are deemed under the EIT Law as non-PRC resident enterprises may be subject to the EIT Law if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a “**non-PRC resident enterprise**” means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. There remains uncertainty as to whether the gains realised from the transfer of

the Securities would be treated as incomes derived from sources within the PRC and be subject to PRC tax. This will depend on how the PRC tax authorities interpret, apply or enforce the EIT Law and its implementation rules.

In addition, under the Individual Income Tax Law of the PRC, any individual who has no domicile and does not live within the territory of the PRC or who has no domicile but has lived within the territory of China for less than 183 days shall pay individual income tax for any income obtained within the PRC. There remains uncertainty as to whether the gains realised from the transfer of the Securities would be treated as income obtained within the PRC and be subject to PRC tax.

If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate, respectively, will apply unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Securities minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between the PRC and Hong Kong for avoidance of double taxation, holders of the Securities who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Securities.

#### ***Value-added Tax***

On 23 March 2016, MOF and SAT issued Circular 36, which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent unless otherwise provided for by MOF and SAT. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate is 6 per cent. Circular 36 further clarified that “loan services” refer to the activities of lending capital for another’s use and receiving the interest income thereon. Based on such an interpretation, the issuance of the Securities may be treated as the holders of the Securities providing loans to the Company, which thus shall be regarded as the provision of financial services. Accordingly, if the Company is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Securities are providing loans within the PRC, or if the interest component of the amount payable by the Company to the holders of the Securities is viewed as interest income arising within the territory of the PRC, the holders of the Securities shall be subject to the VAT at the rate of 6 per cent. when receiving the interest payments under the Securities. Given that the Company pays interest income to the holders of the Securities who are located outside of the PRC, the Company, acting as the obligatory withholder in accordance with applicable law, shall withhold the VAT from the payment of interest income to holders of the Securities who are located outside of the PRC.

Where a holder of the Securities who is an entity or individual located outside of the PRC resells the Securities to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the VAT. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of the Securities is located inside the PRC. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

***Stamp Duty***

No PRC stamp duty will be imposed on non-PRC holders either upon the issuance of the Securities or upon a subsequent transfer of the Securities to the extent that the register of holders of the Securities is maintained outside of the PRC and the issuance and the sale of the Securities is made outside of the PRC.

**British Virgin Islands**

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or distribution in respect of the Securities to persons who are not resident in the British Virgin Islands are not subject to British Virgin Island tax or withholding tax.

Capital gains realised with respect to the Securities by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Securities.

All instruments relating to transactions in respect of the Securities are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer (or any of its subsidiaries) does not have an interest in real estate in the British Virgin Islands.



## SUBSCRIPTION AND SALE

The Issuer and The Company have entered into a subscription agreement dated on or about 23 May 2024 (the “**Subscription Agreement**”) with the Joint Lead Managers. Pursuant to the Subscription Agreement and subject to certain conditions contained therein, the Issuer and the Company agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the following aggregate principal amount of the Securities set forth opposite the Joint Lead Managers’ name:

<b>Joint Lead Managers</b>	<b>Principal Amount of the Securities</b>
	<i>(US\$)</i>
Crédit Agricole Corporate and Investment Bank . . . . .	45,000,000
China CITIC Bank International Limited. . . . .	45,000,000
CLSA Limited . . . . .	45,000,000
ICBC International Securities Limited . . . . .	45,000,000
The Hongkong and Shanghai Banking Corporation Limited. . . . .	45,000,000
Barclays Bank PLC . . . . .	45,000,000
Standard Chartered Bank . . . . .	45,000,000
China Galaxy International Securities (Hong Kong) Co., Limited . . . . .	45,000,000
DBS Bank Ltd. . . . .	45,000,000
BNP Paribas . . . . .	45,000,000
Huatai Financial Holdings (Hong Kong) Limited . . . . .	45,000,000
ABCI Capital Limited . . . . .	45,000,000
SunRiver International Securities Group Limited . . . . .	45,000,000
China International Capital Corporation Hong Kong Securities Limited. . . . .	10,500,000
Bank of China Limited. . . . .	10,500,000
CCB International Capital Limited. . . . .	10,500,000
Central China International Securities Co., Limited . . . . .	10,500,000
China Industrial Securities International Brokerage Limited. . . . .	10,500,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch. . . . .	10,500,000
China Securities (International) Corporate Finance Company Limited . . . . .	10,500,000
CMBC Securities Company Limited. . . . .	10,500,000
CMB International Capital Limited . . . . .	10,500,000
CMB Wing Lung Bank Limited. . . . .	10,500,000
CNCB (Hong Kong) Capital Limited . . . . .	10,500,000
China Shandong International Asset Management Limited. . . . .	10,500,000
Dongxing Securities (Hong Kong) Company Limited . . . . .	10,500,000
Essence International Securities (Hong Kong) Limited . . . . .	10,500,000
Flow Capital (HK) Limited. . . . .	10,500,000
GF Securities (Hong Kong) Brokerage Limited . . . . .	10,500,000
Guolian Securities International Capital Co., Limited . . . . .	10,500,000
Guotai Junan Securities (Hong Kong) Limited . . . . .	10,500,000
Haitong International Securities Company Limited. . . . .	10,500,000
Industrial and Commercial Bank of China (Asia) Limited . . . . .	10,500,000
Industrial Bank Co., Ltd. Hong Kong Branch . . . . .	10,500,000
Mizuho Securities Asia Limited. . . . .	10,500,000
Neutral Financial Holding Company Limited. . . . .	10,500,000
Orient Securities (Hong Kong) Limited. . . . .	10,500,000
Shenwan Hongyuan Securities (H.K.) Limited . . . . .	10,500,000
SMBC Nikko Securities (Hong Kong) Limited. . . . .	10,500,000
SPDB International Capital Limited . . . . .	10,500,000
The Bank of East Asia, Limited. . . . .	10,500,000
Zhongtai International Securities Limited . . . . .	10,500,000
SDHG International Securities Limited . . . . .	10,500,000
Total . . . . .	<u>900,000,000</u>

The Subscription Agreement provides that the Issuer failing whom the Company (as the case may be) jointly and severally will indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Securities. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and certain of their affiliates may have performed certain investment banking and advisory services for the Issuer, the Company and/or relevant affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Company and/or relevant affiliates in the ordinary course of their business. The Joint Lead Managers or certain of their affiliates may purchase Securities net of commission and be allocated Securities for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers or their affiliates may purchase Securities for their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to Securities and/or other securities of the Issuer or its subsidiaries or associates at the same time as the offer and sale of Securities or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Securities to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of Securities).

The Joint Lead Managers may also, as initial purchasers, on-sell the Securities to investors at prices which may be different from the issue price of the Securities.

In connection with the issue of the Securities, any of the Joint Lead Managers appointed and acting in its capacity as a stabilisation manager (the “**Stabilisation Manager**”) (or any person acting on behalf of the Stabilisation Manager) may over-allot Securities or effect transactions with a view to supporting the market price of the Securities at a level higher than that which might otherwise prevail, but in doing so the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Guarantor and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Stabilisation Manager or, as the case may be, the Joint Lead Managers in the manner agreed by them. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Securities and 60 days after the date of the allotment of the Securities. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Neither the Issuer, the Company nor any person acting on its behalf will issue, sell, offer or agree to sell, grant any option for the sale of, or otherwise dispose of (or publicly announce any such action), any other debt securities of the Issuer or the Company or securities of the Issuer or the Company that are convertible into, or exchangeable for, the Securities or such other debt securities, in any such case outside the PRC without the prior written consent of the Joint Lead Managers between the date of the Subscription Agreement and the Closing Date (as defined in the Subscription Agreement) (both dates inclusive).

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Securities is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

#### **Important Notice to CMIs (Including Private Banks)**

This notice to CMIs (including Private Banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks). Certain CMIs may also be acting as OC(s) for this offering and are subject to additional requirements under the SFC Code.

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

CMIs are informed that the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions and, if applicable, any MiFID II product governance and UK MiFIR product governance language, set out elsewhere in this Offering Circular.

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

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

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

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

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

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

- The name of each underlying investor;
- A unique identification number for each investor;
- Whether an underlying investor has any “**Associations**” (as used in the SFC Code);
- Whether any underlying investor order is a “**Proprietary Order**” (as used in the SFC Code);

- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: Project.VisionII@ca-cib.com; HKG-Syndicate@ca-cib.com; TMG\_Syndicate@cncbinternational.com; ProjectVisionII@clsa.com; project\_vision2@icbci.icbc.com.cn; hk\_syndicate\_omnibus@hsbc.com.hk; barclayssfcomnibusorders-debt@barclays.com; SYNHK@sc.com; DCMOmnibus@dbs.com; abcic.dcm@abci.com.hk; dcm3@sris.com.hk; IB\_Project\_Vision\_II@cicc.com.cn; dcmhk@bocgroup.com; DCM@ccbintl.com; hkdcem@cmbc.com.cn; dcm@cmbccap.com; ProjectVision@cmbi.com.hk; bondissuance@cmbwinglungbank.com; GFDCM@gfgroup.com.hk; dcm@giccasia.com; Omnibus\_Bond@hk.mizuho-sc.com; dcmnea@smbcnikko-hk.com; dcm@spdbi.com; DCM@hkbea.com; dcm@ztsc.com.hk.

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

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Joint Lead Managers that it is not a Sanctions Restricted Person. A “**Sanctions Restricted Person**” means an individual or entity (a “**Person**”): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current “Specially Designated Nationals and Blocked Persons” list (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/sdnlist.pdf>) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: <http://www.treasury.gov/ofac/downloads/fse/fselist.pdf>) or (iii) the most current “Consolidated list of persons, groups and entities subject to EU financial sanctions” (which as of the date hereof can be found at: <https://data.europa.eu/data/datasets/consolidated-list-of-persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en>); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) – (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current “Sectoral Sanctions Identifications” list (which as of the date hereof can be found at: <https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf>) (the “**SSI List**”), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the “**EU Annexes**”), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce’s Bureau of Industry and Security (“**BIS**”) under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled “Addressing the Threat from Securities Investments that Finance Certain Companies of the People’s Republic of China” (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled “Addressing the threat from Securities Investments that Finance Chinese Military Companies”; or (vi) them being subject to restrictions imposed on the operation of an online

service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons. “**Sanctions Authority**” means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People’s Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty’s Treasury.

## **Selling Restrictions**

### *General*

Neither the Issuer, the Company nor the Joint Lead Managers makes any representation that any action has been or will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Company that would permit a public offering of the Securities, or possession or distribution of the preliminary offering circular or the offering circular (in proof or final form) or any other offering or publicity material relating to the Securities (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each of the Joint Lead Managers will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Securities or has in its possession or distributes the preliminary offering circular or the offering circular (in proof or final form) or any such other material, in all cases at its own expense. The Joint Lead Managers are not authorised to make any representation or use any information in connection with the issue, subscription and sale of the Securities other than as contained in, or which is consistent with, the offering circulars (in final form) or any amendment or supplement to it.

### *United States*

The Securities and the Guarantee of the Securities have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represents that it has not offered or sold, and agrees that it will not offer or sell, any Security or the Guarantee of the Securities constituting part of its allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Securities and the Guarantee of the Securities. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager represents and agrees that neither it nor any of its affiliates (as defined in Rule 501(b) of Regulation D under the Securities Act (“**Regulation D**”)), nor any person acting on its or their behalf has engaged or will engage in any form of general solicitation or general advertising (within the meaning of Regulation D) in connection with any offer and sale of the Securities and the Guarantee of the Securities in the United States.

### *United Kingdom*

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represents, warrants and agrees that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Securities in, from or otherwise involving, the United Kingdom.

### *Hong Kong*

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represents, warrants and agrees that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities 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 (Winding up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Securities 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 (Cap. 571) of Hong Kong and any rules made under that Ordinance.

### *Singapore*

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers has acknowledged that the offering circulars have not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represents, warrants and agrees that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, the offering circulars or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

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

### *Japan*

The Securities have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, each of the Joint Lead Managers represents and agrees that it has not, directly or indirectly, offered or sold and will not directly or indirectly, offer or sell any Securities 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 reoffering or resale, 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 applicable laws, regulations and ministerial guidelines of Japan.

***The People's Republic of China***

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers represents, warrants and agrees that the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

***British Virgin Islands***

Each of the Joint Lead Managers severally and not jointly with the other Joint Lead Managers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Securities and the Securities are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands law.

This Offering Circular does not constitute, and there will not be, an offering of the Securities to any person in the British Virgin Islands.

## **SUMMARY OF CERTAIN MATERIAL DIFFERENCES BETWEEN PRC GAAP AND IFRS**

*The Company's Audited Consolidated Financial Statements were prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications between PRC GAAP and IFRS. The following is a general summary of certain material differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Company. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Company, other potentially significant accounting and disclosure differences may have required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.*

*In making an investment decision, investors must rely upon their own examination of the Company and the Group and the terms of the offering and other disclosure contained herein. Investors should consult their own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.*

### **Provision for Future Development Fund and Work Safety Cost**

Under PRC GAAP, in accordance with relevant regulations of the Chinese authorities, the Company has to accrue special reserves such as future development funds and work safety cost reserves, which are presented as cost of expenses of the period and the amount that has been accrued but not used are presented in special reserve of owner's equity. Work safety cost, which belongs to cost of expenses, directly offset the special reserves. The accrued work safety cost, which is used by enterprises and used to form fixed assets, shall be charged as "**construction in progress**", and recognised as a fixed asset upon the project being completed and reaching the expected operational standard. Meanwhile, the special reserves are offset in accordance with the cost of fixed asset formation, while the equivalent amount of accumulated depreciation is recorded. The fixed asset so formed shall cease to accrue depreciation in the following periods.

Pursuant to the IFRS, these expenditures should be recognised when incurred. Relevant capital expenditures are recognised as part of cost of non-current assets when they are incurred and depreciated according to the respective depreciation policy. The differences between the above-mentioned standards give rise to differences in deferred tax.

### **Government Grant**

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.



Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve. Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit and loss.

Under PRC GAAP, once an impairment loss is recognised for a long-term asset (including fixed assets, intangible assets and goodwill), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

### **Related Party Disclosures**

Under PRC GAAP, government-related entities are not treated as related parties.

Under IFRS, government-related entities are still treated as related parties.

### **Fixed Assets and Intangible Assets**

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

## GENERAL INFORMATION

1. **Clearing Systems:** The Securities have been accepted for clearance through Euroclear and Clearstream under Common Code 282421542 and ISIN XS2824215425.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue, execution, delivery and performance of the Securities, the Trust Deed, the Agency Agreement and the Deed of Guarantee. The issue of the Securities was authorised by written resolutions of the directors of the Issuer dated 16 May 2024. The Company has obtained all necessary consents, approvals and authorisations in connection with the entry into and performance of the Trust Deed, the Deed of Guarantee and the Agency Agreement. The entry into the Trust Deed, the Deed of Guarantee and the Agency Agreement and the giving of the Guarantee of the Securities was authorised by the board dated 27 September 2023.
3. **No Material and Adverse Change:** There has not occurred any change (nor any development or event involving a prospective change) in the condition (financial or other), prospects, results of operations or general affairs of the Issuer, the Company or the Group, which is material and adverse in the context of the issue and offering of the Securities since 31 December 2023.
4. **Litigation:** None of the Issuer, the Company or any member of the Group is involved in any litigation or arbitration proceedings which could have a material and adverse effect on their businesses, results of operations and financial condition nor is the Issuer or the Company aware that any such proceedings are pending or threatened. The Issuer, the Company or any member of the Group may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of its business.
5. **Available Documents:** Copies of the Trust Deed, the Agency Agreement and the Deed of Guarantee relating to the Securities will be available for inspection from the Issue Date, following prior written request and proof of holding to the satisfaction of the Trustee, at the specified office of the Trustee (currently at 80/F, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong) during normal business hours (being 9:00 am to 3:00 pm from Monday to Friday, public holidays excepted), so long as any Security is outstanding.
6. **Audited Financial Statements:** The Company's Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by ShineWing, in accordance with PRC GAAP, as stated in its reports dated 21 April 2023 and 28 April 2024.
7. **Listing:** Approval in-principle has been received from the SGX-ST for the listing of and quotation for the Securities on the Official List of the SGX-ST. The Securities will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in other currencies) for so long as the Securities are listed on the SGX-ST and the rules of the SGX-ST so require.

So long as any Securities are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Securities 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 will be made by the Issuer through 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.

## INDEX TO FINANCIAL STATEMENTS

	Pages
<b>Audited Consolidated Financial Statements of the Group as at and for the year ended 31 December 2023</b>	
Auditor's Report .....	F-3
Consolidated Balance Sheet .....	F-7
Balance Sheet of the Company .....	F-9
Consolidated Income Statement .....	F-11
Income Statement of the Company .....	F-12
Consolidated Cash Flow Statement .....	F-13
Cash Flow Statement of the Company .....	F-14
Consolidated Statement of Changes in Owners' Equity .....	F-15
Statement of Changes in Owners' Equity of the Company .....	F-17
Notes to Financial Statements .....	F-19
<b>Audited Consolidated Financial Statements of the Group as at and for the year ended 31 December 2022</b>	
Auditor's Report .....	F-278
Consolidated Statement of Financial Position .....	F-281
Statement of Financial Position the Company .....	F-283
Consolidated Income Statement .....	F-285
Income Statement of the Company .....	F-286
Consolidated Statement of Cash Flow. ....	F-287
Statement of Cash Flow of the Company .....	F-288
Consolidated Statement of Change in Equity .....	F-289
Statement of Change in Equity of the Company .....	F-291
Notes to Financial Statements .....	F-293

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