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The Bonds (as defined below) 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. This announcement is not for distribution, directly or indirectly, in or into the United States. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States.

Notice to Hong Kong investors: *The Issuer confirms that the Bonds are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and are listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF THE OFFERING CIRCULAR

PEOPLE’S GOVERNMENT OF HAINAN PROVINCE OF THE PEOPLE’S REPUBLIC OF CHINA (THE “ISSUER”)

**RMB1,200,000,000 2.42% BONDS DUE 2024 (STOCK CODE: 84411)
RMB2,600,000,000 2.65% BONDS DUE 2025 (STOCK CODE: 84412) AND
RMB1,200,000,000 2.85% BONDS DUE 2027 (STOCK CODE: 84410)
(TOGETHER, THE “BONDS”)**

***Lead Global Coordinator, Joint Lead Manager
and Joint Bookrunner***

Bank of China

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

**China International Capital
Corporation**

Bank of Communications

Joint Lead Managers and Joint Bookrunners

**ICBC International
CMB Wing Lung Bank
Limited**

**China Construction Bank
HSBC**

**Standard Chartered Bank
Shanghai Pudong
Development Bank
Hong Kong Branch**

**Crédit Agricole CIB
Agricultural Bank of China
Limited Hong Kong
Branch**

Deutsche Bank

**CEB International
Guotai Junan
International**

**Mizuho
China Minsheng Banking
Corp., Ltd.,
Hong Kong Branch**

CITIC Securities

Joint Sustainability Structuring Advisors

Bank of China

China International Capital Corporation

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Reference is made to the notice of listing of the Bonds on The Stock Exchange of Hong Kong Limited dated 2 November 2022 published by the Issuer.

The offering circular dated 26 October 2022 in relation to the Bonds is appended to this announcement.

Hong Kong, 3 November 2022

Appendix - Offering Circular

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

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

Confirmation of Your Representation: You have accessed the attached Offering Circular on the basis that you have confirmed your representation to People’s Government of Hainan Province of the People’s Republic of China (the “**Hainan People’s Government**” or the “**Issuer**”) and Bank of China (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, Bank of Communications Co., Ltd. Hong Kong Branch, ICBC International Securities Limited, China Construction Bank (Asia) Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Crédit Agricole Corporate and Investment Bank, CMB Wing Lung Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Agricultural Bank of China Limited Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch, CEB International Capital Corporation Limited, Mizuho Securities Asia Limited, CLSA Limited, Guotai Junan Securities (Hong Kong) Limited and China Minsheng Banking Corp., Ltd., Hong Kong Branch (collectively, the “**Joint Lead Managers**”) that (1) you are not in the United States, the electronic mail address that you provided and to which this electronic mail has been delivered is not located in the United States and, to the extent you purchase the bonds described in the attached Offering Circular (the “**Bonds**”), you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer or any Joint Lead Manager or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the Bonds.

THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATES OF THE UNITED STATES OR OTHER JURISDICTION. THE BONDS 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 AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF BONDS FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the Issuer or the Joint Lead Managers to subscribe for or purchase any of the Bonds, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and their respective affiliates on behalf of the Issuer in such jurisdiction. You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the Bonds.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) 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 Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Actions That You May Not Take: You should not reply by e-mail to this electronic transmission and you may not purchase any Bonds by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, 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.

You are responsible for protecting your electronic device 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.

PEOPLE'S GOVERNMENT OF HAINAN PROVINCE OF THE PEOPLE'S REPUBLIC OF CHINA

RMB1,200,000,000 2.42% Bonds due 2024

RMB2,600,000,000 2.65% Bonds due 2025

RMB1,200,000,000 2.85% Bonds due 2027

Issue price of the 2024 Bonds: 100.00%

Issue price of the 2025 Bonds: 100.00%

Issue price of the 2027 Bonds: 100.00%

People's Government of Hainan Province of the People's Republic of China (the "Hainan People's Government" or the "Issuer") is offering RMB1,200,000,000 in aggregate principal amount of its 2.42% bonds due 2024 (the "2024 Bonds"), RMB2,600,000,000 in aggregate principal amount of its 2.65% bonds due 2025 (the "2025 Bonds") and RMB1,200,000,000 in aggregate principal amount of its 2.85% bonds due 2027 (the "2027 Bonds", together with the 2024 Bonds and the 2025 Bonds, the "Bonds")

The 2024 Bonds, 2025 Bonds and 2027 Bonds will bear interest from and including 2 November 2022 (the "Issue Date") at the rate of 2.42% per annum, 2.65% per annum and 2.85% per annum, respectively. Interest on the Bonds will be payable semi-annually in arrears on the Interest Payment Dates (as defined in the *Terms and Conditions of the Bonds*) falling on or nearest to 2 May and 2 November in each year. Payments on the Bonds will be made in Renminbi without withholding or deduction for taxes of the People's Republic of China (the "PRC" or "China") or any authority in the PRC or of the PRC having power to tax to the extent described under "*Terms and Conditions of the 2024 Bonds – Taxation and Withholding*", "*Terms and Conditions of the 2025 Bonds – Taxation and Withholding*" and "*Terms and Conditions of the 2027 Bonds – Taxation and Withholding*". The 2024 Bonds will mature on the Interest Payment Date falling on or nearest to 2 November 2024 at their principal amount, the 2025 Bonds will mature on the Interest Payment Date falling on or nearest to 2 November 2025 at their principal amount and the 2027 Bonds will mature on the Interest Payment Date falling on or nearest to 2 November 2027 at their principal amount.

The Bonds constitute direct, unconditional and unsecured obligations of the Issuer, and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public Indebtedness (as defined in the *Terms and Conditions of the Bonds*) of the Issuer, from time to time outstanding, provided further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public Indebtedness and, in particular, shall have no obligation to pay other Public Indebtedness at the same time or as a condition of paying sums due on the Bonds and *vice versa*.

The issuance of the Bonds has been approved by the Ministry of Finance of the People's Republic of China pursuant to the Notice Issued by the Ministry of Finance on the Issuance of Local Government Debts in Hong Kong and Macau in 2022 (Cai Ku [2022] No.28). In accordance with the Budget Law of the People's Republic of China, the Regulation on the Implementation of the Budget Law of the People's Republic of China (Guo Ling No. 729), the Opinion of the State Council on Strengthening the Management of Local Government Debt (Guo Fa [2014] No. 43) and the Administrative Measures for the Local Government Bonds Issuance (Cai Ku [2020] No.43), the Bonds are issued as special bonds.

For a more detailed description of the use of proceeds of the Bonds, see "*Use of Proceeds*" beginning on page 54.

Application will be made to The Stock Exchange of Hong Kong Limited (the "SEHK") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("Professional Investors") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the SEHK is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

For a more detailed description of the Bonds, see "*Overview of the Offering*" beginning on page 1.

The denomination of the Bonds is RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Bonds may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state or local securities laws. The Bonds are being offered outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

Each series of the Bonds will initially be represented by a global certificate (each a "Global Certificate", and together, the "Global Certificates") in registered form which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "Operator") of the Central Moneymarkets Unit Service (the "CMU"). Beneficial interests in the Global Certificates will be shown on, and transfer thereof will be effected only through, records maintained by the CMU. Except as described herein, individual certificates for Bonds will not be issued in exchange for interests in the relevant Global Certificate. For persons seeking to hold a beneficial interest in the Bonds through Euroclear Bank SA/NV ("Euroclear") or Clearstream Banking S.A. ("Clearstream"), such persons will hold their interest through an account opened and held by Euroclear or Clearstream (as the case may be) with the CMU operator.

**Lead Global Coordinator, Joint Lead Manager and Joint
Bookrunner**

Bank of China

**ICBC International
CMB Wing Lung Bank
Limited
Deutsche Bank**

**China Construction Bank
HSBC
CEB International
Guotai Junan International**

Bank of China

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners

China International Capital Corporation

Bank of Communications

Joint Lead Managers and Joint Bookrunners

**Standard Chartered Bank
Shanghai Pudong Development
Bank Hong Kong Branch**

**Crédit Agricole CIB
Agricultural Bank of China
Limited Hong Kong Branch
CITIC Securities**

Mizuho

**China Minsheng Banking Corp.,
Ltd., Hong Kong Branch**

Joint Sustainability Structuring Advisors

China International Capital Corporation

Offering Circular dated 26 October 2022

IMPORTANT NOTICE

This Offering Circular has been prepared by the Issuer solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer. The Issuer accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and Bank of China (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, Bank of Communications Co., Ltd. Hong Kong Branch, ICBC International Securities Limited, China Construction Bank (Asia) Corporation Limited, Standard Chartered Bank (Hong Kong) Limited, Crédit Agricole Corporate and Investment Bank, CMB Wing Lung Bank Limited, The Hongkong and Shanghai Banking Corporation Limited, Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch, Agricultural Bank of China Limited Hong Kong Branch, Deutsche Bank AG, Hong Kong Branch, CEB International Capital Corporation Limited, Mizuho Securities Asia Limited, CLSA Limited, Guotai Junan Securities (Hong Kong) Limited and China Minsheng Banking Corp., Ltd., Hong Kong Branch (collectively, the “**Joint Lead Managers**”) to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see “*Subscription and Sale*”.

No person has been or is authorised to give any information or to make any representation concerning the Issuer or the Bonds 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 Joint Lead Managers, Bank of Communications Co., Ltd. Hong Kong Branch (the “**Fiscal Agent**”), other agents as appointed by the Issuer (together with the Fiscal Agent, the “**Agents**”) or any of their directors, employees, representatives or affiliates. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the PRC or Hainan Province since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Issuer, the Joint Lead Managers or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers or the Agents as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Agents or any of their directors, employees, representatives or affiliates. None of the Joint Lead Managers, the Agents or any of their directors, employees, representatives or affiliates have independently verified any of the information contained in this Offering Circular. None of the Joint Lead Managers or the Agents can give any assurance that this information is accurate, true or complete. To the fullest extent permitted by law, none of the Joint Lead Managers, the Agents or any of their directors, employees,

representatives or affiliates assume responsibility for the contents, accuracy or completeness of any such information or for any other statement, made or purported to be made by the Joint Lead Managers or the Agents or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Agents and any of their directors, employees, representatives or affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise which they might otherwise have in respect of this Offering Circular or any such statement. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Joint Lead Managers or the Agents that any recipient of this Offering Circular should purchase the Bonds.

The Bonds are governed by Hong Kong law. The Issuer has agreed that the courts of Hong Kong have exclusive jurisdiction to settle any dispute in connection with the Bonds and has appointed Bank of Communications Co., Ltd. Hong Kong Branch (currently at 16/F, COS Centre, 56 Tsun Yip Street, Kwun Tong, Hong Kong) as its agent to accept service of process in any Proceedings (as defined in the *Terms and Conditions of the Bonds*).

To the extent that the Issuer may claim for itself immunity from any Proceedings, and to the extent that in any such jurisdiction there may be attributed to the Issuer such immunity (whether or not claimed), the Issuer hereby agrees not to claim and hereby waives and will waive such immunity in the face of the courts; provided, however, that the Issuer has not waived, and shall not waive, its sovereign and other immunity with respect to its assets wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise.

Important Notice to Prospective Investors

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, 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 “**Code**”). This notice to prospective investors is a summary of certain obligations the Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as “overall coordinators” (“**OC**s”) for this offering and are subject to additional requirements under the Code.

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

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any 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% interest, in which case it will be classified as a “proprietary order” and subject to appropriate handling by CMIs in accordance with the 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 such 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 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 such a “proprietary order”. Where prospective investors disclose such information but do not disclose that such “proprietary order” may negatively impact the price discovery process in relation to this offering, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to this offering.

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

Any of the Joint Lead Managers and their respective affiliates may purchase the Bonds for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY JOINT LEAD MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) MAY EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT SUCH JOINT LEAD MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY SUCH JOINT LEAD MANAGER (OR PERSONS ACTING ON BEHALF OF SUCH JOINT LEAD MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Unless otherwise specified or the context requires, all references herein to “the Hainan People’s Government” or “the Issuer” and words of similar import regarding the description of the Bonds are to People’s Government of Hainan Province of the People’s Republic of China itself and references herein to “RMB” and “Renminbi” are to the lawful currency of the PRC.

Statistical information included in this Offering Circular is the latest official data publicly available at the date of this Offering Circular. Financial data provided in this Offering Circular may be subsequently revised in accordance with the Hainan People's Government's ongoing maintenance of its economic data, and that revised data will not be distributed by the Hainan People's Government to any holder of the Bonds. As used in this Offering Circular, the term "N/A" identifies statistical or financial data that is not available.

References to "Hong Kong" are to the Hong Kong Special Administrative Region of the PRC; references to "Macao" are to the Macao Special Administrative Region of the PRC; references to "Taiwan Region" are to the Taiwan regions of the PRC; references to "U.S." and the "United States" mean the United States of America; references to "US\$" and "U.S. dollars" are to the lawful currency of the United States; references to "Hainan" and "Hainan Province" mean the Hainan Province of the PRC; and references to "Department of Finance of Hainan" mean Department of Finance of Hainan Province of the People's Republic of China.

Unless otherwise indicated, all references in this Offering Circular to "Bonds" are to any of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds and references to a "series of Bonds" or to a "series" are to the 2024 Bonds, the 2025 Bonds or the 2027 Bonds separately and all references in this Offering Circular to "*Terms and Conditions of the Bonds*" are to the terms and conditions governing the 2024 Bonds, the 2025 Bonds and the 2027 Bonds (as applicable).

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts included in this Offering Circular regarding, among other things, Hainan Province's economy, fiscal condition, debt or prospects may constitute forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "continue" or similar terminology. Although the Issuer believes that the expectations reflected in its forward-looking statements are reasonable at this time, there can be no assurance that these expectations will prove to be correct.

These statements are based on the Issuer's current plans, objectives, assumptions, estimates and projections. Investors should therefore not place undue reliance on these statements. Forward-looking statements speak only as of the date that they are made and the Issuer does not undertake to update any forward-looking statements in light of new information or future events. Forward-looking statements involve inherent risks and uncertainties. The Issuer cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

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OVERVIEW OF THE OFFERING

This following overview contains certain information on the Bonds and the offering and is qualified in its entirety by the remainder of this Offering Circular. Any decision to invest in the Bonds should be based on a consideration of this Offering Circular as a whole. For a more complete description of the terms of the Bonds, see the Terms and Conditions of the Bonds.

Words and expressions defined in the Terms and Conditions of the Bonds or elsewhere in this Offering Circular have the same meanings in this overview.

Issuer	People's Government of Hainan Province of the People's Republic of China (the " Hainan People's Government ").
Bonds offered	RMB1,200,000,000 2.42% Bonds due 2024. RMB2,600,000,000 2.65% Bonds due 2025. RMB1,200,000,000 2.85% Bonds due 2027.
Issue date	2 November 2022 (the " Issue Date ").
Maturity date	2024 Bonds: The Interest Payment Date falling on or nearest to 2 November 2024. 2025 Bonds: The Interest Payment Date falling on or nearest to 2 November 2025. 2027 Bonds: The Interest Payment Date falling on or nearest to 2 November 2027.
Issue price	2024 Bonds: 100.00% of the principal amount. 2025 Bonds: 100.00% of the principal amount. 2027 Bonds: 100.00% of the principal amount.
Interest rate	2024 Bonds: 2.42% per annum. 2025 Bonds: 2.65% per annum. 2027 Bonds: 2.85% per annum.
Interest payment dates	Semi-annually in arrear on 2 May and 2 November of each year, provided that if any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.
Final redemption	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the relevant Maturity Date.
Events of Default	If any of the events as defined in Clause 8 of the <i>Terms and Conditions of the Bonds</i> occurs and continues (each an " Event of Default "), the Bondholders, through an Extraordinary Resolution, might approve to give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued and unpaid interest.

Ranking	The Bonds are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> , without preference among themselves, with all other unsecured Public Indebtedness of the Issuer, from time to time outstanding, provided further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public Indebtedness and, in particular, shall have no obligation to pay other Public Indebtedness at the same time or as a condition of paying sums due on the Bonds and <i>vice versa</i> .																								
Listing	The Bonds will be listed on the SEHK.																								
Denomination	The denomination of the Bonds is RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.																								
Form	The Bonds will be issued in registered form and will initially be represented by a global certificate in respect of each series of Bonds.																								
Rating	The Bonds have not been rated by any rating agency.																								
Clearing Systems	The CMU. The CMU Instrument Number, ISIN and Common Code for the Bonds are:																								
	<table border="0"> <thead> <tr> <th></th> <th style="text-align: center;">CMU</th> <th></th> <th></th> </tr> <tr> <th></th> <th style="text-align: center;">Instrument</th> <th></th> <th></th> </tr> <tr> <th></th> <th style="text-align: center;">Number</th> <th style="text-align: center;">ISIN</th> <th style="text-align: center;">Common Code</th> </tr> </thead> <tbody> <tr> <td>2024 Bonds</td> <td style="text-align: center;">BCMKBFB22021</td> <td style="text-align: center;">HK0000877461</td> <td style="text-align: center;">253936304</td> </tr> <tr> <td>2025 Bonds</td> <td style="text-align: center;">BCMKBFB22022</td> <td style="text-align: center;">HK0000877479</td> <td style="text-align: center;">253936401</td> </tr> <tr> <td>2027 Bonds</td> <td style="text-align: center;">BCMKBFB22023</td> <td style="text-align: center;">HK0000877487</td> <td style="text-align: center;">253938277</td> </tr> </tbody> </table>		CMU				Instrument				Number	ISIN	Common Code	2024 Bonds	BCMKBFB22021	HK0000877461	253936304	2025 Bonds	BCMKBFB22022	HK0000877479	253936401	2027 Bonds	BCMKBFB22023	HK0000877487	253938277
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Payment of principal and interest	Principal and interest on the Bonds will be payable in Renminbi.																								
Fiscal agent, principal paying agent, CMU lodging agent, registrar and transfer agent	Bank of Communications Co., Ltd. Hong Kong Branch.																								
Governing law	Hong Kong law.																								
Use of proceeds	The net proceeds from the offering of the 2024 Bonds will be used to finance Eligible Projects that are classified as Blue Eligible Categories in accordance with the Green, Social, Blue and Sustainability Bonds Framework (the “ Framework ”). The net proceeds from the offering of the 2025 Bonds will be used to finance Eligible Projects that are classified as Green Eligible Categories and Social Eligible Categories in accordance with the Framework. The net proceeds from the offering of the 2027 Bonds will be used to finance Eligible Projects that are classified as Green Eligible Categories and Social Eligible Categories in accordance with the Framework.																								

Selling restrictions

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States unless pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the applicable state or local securities laws. For a description of certain restrictions on offers, sales and deliveries of Bonds and on the distribution of offering material in certain jurisdictions, see the “*Subscription and Sale*” section below.

RISK FACTOR

The Issuer believes that the risk factors described below represents the principal risks inherent in investing in the Bonds, but there may be other market-related risks associated with the Bonds which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. The risk factors described below are contingencies which may or may not occur. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular to reach their own views prior to making any investment decision.

The Bonds carry a fixed interest rate.

The Bonds carry a fixed interest rate. The market prices of the Bonds may decrease if Renminbi interest rates increase during the term of the Bonds. Under this situation, investors may incur a loss from the decrease in the market price if they sell the Bonds before final maturity.

The Bonds are subject to liquidity risk.

There may not be an active secondary market for the Bonds, and the liquidity of the Bonds may be affected by the condition of supply and demand of funds in the trading market and the changes in investors' investment preferences. In addition, there is no guarantee that the Bondholders will always be able to find a buyer if they want to sell the Bonds and *vice versa*. Hence, the Bonds are subject to certain liquidity risk.

The 2024 Bonds, the 2025 Bonds and the 2027 Bonds may not be a suitable investment for all investors seeking exposure to green, social, blue and sustainability assets.

In connection with the issue of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds, the Issuer has requested the Hong Kong Quality Assurance Agency (the "HKQAA") to issue independent certification (a "HKQAA Pre-issuance Stage Certificate") confirming that the 2024 Bonds, the 2025 Bonds and the 2027 Bonds are all in compliance with the requirements of the Green and Sustainable Finance Certification Scheme operated by the HKQAA (the "HKQAA Green and Sustainable Finance Certification Scheme").

There is currently no market consensus on what precise attributes are required for a particular project to be defined as "green", "social", "blue" and "sustainability", nor can any assurance be given that such a clear definition or consensus will develop over time, and therefore no assurance can be provided to potential investors that the relevant eligible assets will continue to meet the relevant eligibility criteria. Although applicable projects are expected to be selected in accordance with the categories recognised by the HKQAA Green and Sustainable Finance Certification Scheme and are expected to be developed in accordance with applicable legislation and standards, there can be no guarantee that the projects will deliver the environmental benefits as anticipated, or that adverse environmental and/or social impacts will not occur during the design, construction, commissioning and/or operation of any such projects. Where any negative impacts are insufficiently mitigated, green, social, blue and sustainability projects may become controversial, and/or may be criticised by activist groups or other stakeholders.

Potential investors should be aware that the HKQAA Pre-issuance Stage Certificate will not be incorporated into, and will not form part of, this Offering Circular or the terms and conditions relating to the 2024 Bonds, the 2025 Bonds and the 2027 Bonds. The HKQAA Pre-issuance Stage Certificate may not reflect the potential impact of all risks related to the 2024 Bonds, the 2025 Bonds and the 2027 Bonds, their marketability, trading price or liquidity or any other factors that may affect the price or value of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds. The HKQAA Pre-issuance Stage Certificate is not recommendations to buy, sell or hold securities and is only current as of its date of issue. The HKQAA Pre-issuance Stage Certificate is for information purposes only and none of the Issuer or the Joint Lead Managers accepts any form of liability for the substance of the HKQAA Pre-issuance Stage Certificate and/or any liability for loss arising from the use of the HKQAA Pre-issuance Stage Certificate and/or information provided in it.

Further, although the Issuer will use the net proceeds as described in “Use of Proceeds” below, it would not be an event of default under the 2024 Bonds, the 2025 Bonds and the 2027 Bonds if (i) the Issuer were to fail to comply with such obligations or were to fail to use the proceeds in the manner specified in the relevant terms and conditions and/or (ii) the HKQAA Pre-issuance Stage Certificate were to be withdrawn. Any failure to use the net proceeds of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds in the manner specified in this Offering Circular, and/or any failure to meet, or to continue to meet, the investment requirements of certain environmentally focused investors with respect to the 2024 Bonds, the 2025 Bonds and the 2027 Bonds and/or withdrawal of the HKQAA Pre-issuance Stage Certificate may affect the value and/or trading price of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds, and/or may have consequences for certain investors with portfolio mandates to invest in green, social, blue and sustainability assets. In the event that the 2024 Bonds, the 2025 Bonds or the 2027 Bonds are included in any dedicated “blue”, “green”, “environmental”, “social”, “sustainable” other equivalently-labelled index, no representation or assurance is given by the Issuer or any other person that such listing or admission, or inclusion in such index, satisfies any present or future investor expectations or requirements as regards to any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own constitutive documents or other governing rules or investment portfolio mandates.

Neither the Issuer nor the Joint Lead Managers make any representation as to the suitability or reliability for any purpose of the HKQAA Pre-issuance Stage Certificate or whether the 2024 Bonds, the 2025 Bonds and the 2027 Bonds fulfil the relevant environmental criteria. The Joint Lead Managers have not undertaken, nor are responsible for, any assessment of the eligibility of the Framework, or Eligible Projects, or the monitoring of the use of proceeds from the offering of the Bonds. Each potential purchaser of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds should determine for itself the relevance of the information contained in this Offering Circular and in the terms and conditions relating to the 2024 Bonds, the 2025 Bonds and the 2027 Bonds regarding the use of proceeds and its purchase of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds should be based upon such investigation as it deems necessary. Therefore, 2024 Bonds, the 2025 Bonds and the 2027 Bonds may not be a suitable investment for all investors seeking exposure to green, social, blue and sustainability assets. The examples of Eligible Projects in the section entitled “Green, Social, Blue and Sustainability Bonds Framework” in this Offering Circular are for illustrative purposes only and subject to change, and no assurance can be provided that disbursements for projects with these specific characteristics will be made by the Issuer during the term of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds.

TERMS AND CONDITIONS OF THE 2024 BONDS

The following are the terms and conditions substantially in the form in which they will appear on the reverse of each of the definitive certificates evidencing the 2024 Bonds.

The RMB1,200,000,000 2.42% bonds due 2024 (the “**Bonds**”) of People’s Government of Hainan Province of the People’s Republic of China (the “**Hainan Provincial People’s Government**” or the “**Issuer**”) are the subject of a fiscal agency agreement dated on or about 2 November 2022 (the “**Fiscal Agency Agreement**”) between the Issuer and Bank of Communications Co., Ltd. Hong Kong Branch as the fiscal agent, principal paying agent, CMU lodging agent, transfer agent and registrar. The fiscal agent, principal paying agent, CMU lodging agent, transfer agent and registrar for the time being and the paying agents to be appointed by the Issuer in the future are referred to below respectively as the “**Fiscal Agent**”, the “**Principal Paying Agent**”, the “**CMU Lodging Agent**”, the “**Transfer Agent**”, the “**Registrar**” and the “**Paying Agents**” (which expression shall include the Fiscal Agent). The issuance of the Bonds has been approved by the Ministry of Finance of the People’s Republic of China pursuant to the Notice Issued by the Ministry of Finance on the Issuance of Local Government Debts in Hong Kong and Macau in 2022 (Cai Ku [2022] No. 28). In accordance with the Budget Law of the People’s Republic of China, the Regulation on the Implementation of the Budget Law of the People’s Republic of China (Guo Ling No. 729), the Opinion of the State Council on Strengthening the Management of Local Government Debt (Guo Fa [2014] No. 43) and the Administrative Measures for the Local Government Bonds Issuance (Cai Ku [2020] No.43), the Bonds are issued as special bonds.

The Fiscal Agency Agreement includes the form of the Bonds. Copies of the Fiscal Agency Agreement are available for inspection during normal business hours at the specified office of the Fiscal Agent. The holders of the Bonds are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

Words and expressions defined in the Fiscal Agency Agreement shall have the same meanings where used in these terms and conditions (the “**Conditions**”) unless the context otherwise requires or unless otherwise stated.

1 Form, Denomination and Title

The Bonds will be issued in registered form in the denomination of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.

The Bonds are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder (as defined below).

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Fiscal Agency Agreement (the “**Register**”). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, “**Bondholder**” and “**holder**” means the person in whose name a Bond is registered (or in the case of a joint holding, the first name thereof).

2 Transfers of Bonds

- (a) **Transfer:** A holding of Bonds may, subject to Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same

representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds scheduled to the Fiscal Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Fiscal Agent. A copy of the current regulations will be made available by the Registrar to any Bondholder during usual business hours upon prior written request.

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within three business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. For the purposes of this Condition 2(b), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **Transfer Free of Charge:** Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment of any tax, duty, assessment or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, or (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 6(a)).

3 Status of Bonds

The Bonds are the direct, unconditional and unsecured obligations of the Issuer and rank and will rank *pari passu*, without preference among themselves, with all other unsecured Public Indebtedness of the Issuer, from time to time outstanding, provided further, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other Public Indebtedness and, in particular, shall have no obligation to pay other Public Indebtedness at the same time or as a condition of paying sums due on the Bonds and *vice versa*.

For the purposes of this Condition:

- (a) “**Public Indebtedness**” means Indebtedness represented or evidenced by notes, bonds or other similar instruments of the kind customarily offered in the public securities markets and of the kind customarily subject to listing and trading on securities exchanges (without regard, however, to whether or not the instruments are offered through public distributions or in private placements); and

- (b) “**Indebtedness**” means any indebtedness for money borrowed or any guarantee of indebtedness for money borrowed which, in either case: (i) has an original maturity in excess of one year; and (ii) is backed by the full faith and credit of the Hainan Provincial People’s Government and shall not include the borrowings of any state-owned corporation or in the name of any agency or instrumentality of the Hainan Provincial People’s Government or the People’s Republic of China (the “**PRC**”) (whether or not such corporation, agency or instrumentality has, under the laws of the PRC, a separate legal existence).

4 **Interest**

(a) **Interest Payment Dates**

The Bonds bear interest from and including 2 November 2022 (the “**Issue Date**”) at the rate of 2.42% per annum, payable semi-annually in arrear on 2 May and 2 November in each year (each an “**Interest Payment Date**”), provided that if any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day. In these Conditions, the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is called an “**Interest Period**”.

(b) **Interest Payments**

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest on the principal amount in respect of which payment has been improperly withheld or refused in accordance with this Condition (both before and after judgment) until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

(c) **Calculation of Interest**

If interest is required to be calculated for a period of less than an Interest Period, the relevant day-count fraction will be determined on the basis of (i) the actual number of days in the period from and including the date from which interest begins to accrue to but excluding the date on which it falls due divided by (ii) 365.

Interest in respect of any Bond shall be calculated per RMB10,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest RMB0.01 (RMB0.005 being rounded upwards).

(d) **Business day**

For the purposes of this Condition, the expression “**business day**” means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are generally open for business and settlement of Renminbi payments in Beijing and Hong Kong.

5 Redemption and Purchase

(a) Final redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 2 November 2024 (the “**Maturity Date**”).

(b) Purchases

The Issuer may at any time purchase Bonds in the open market or through designated lawful institutions at any price. Any Certificates representing the Bonds purchased pursuant to this Condition 5(b) may be held, reissued, resold or surrendered to the Fiscal Agent for cancellation. The Bonds so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of determining quorums at meetings of the Bondholders or for the purposes of Condition 9.

6 Payments

(a) Method of Payment

- (i) Payments of principal shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in Renminbi by transfer to the registered account of the Bondholder.
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the Payment Business Day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in Renminbi by transfer to the registered account of the Bondholder.
- (iii) For the purposes of this Condition 6, a Bondholder’s “**registered account**” means the Renminbi account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register.
- (iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) Payments subject to laws

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Payment instructions (for value the due date, or if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Fiscal Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**

The Fiscal Agent, the Principal Paying Agent, the CMU Lodging Agent, the Transfer Agent and the Registrar initially appointed by the Issuer and their respective specified office are listed below. The Fiscal Agent, the Principal Paying Agent, the CMU Lodging Agent, the Transfer Agent and the Registrar act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the Principal Paying Agent, the CMU Lodging Agent, the Transfer Agent or the Registrar and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Principal Paying Agent, (iii) a CMU Lodging Agent, (iv) a Registrar, (v) a Transfer Agent and (vi) such other agents as may be required by any other stock exchange on which the Bonds may be listed. Notice of any such change or any change of any specified office shall promptly be given to the Bondholders in accordance with Condition 12.

(e) **Delay in Payments**

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Non-Payment Business Days**

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. For the purposes of this Condition 6, “**Payment Business Day**” means a day (other than a Saturday or Sunday) on which (i) commercial banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and in Beijing and Hong Kong; and (ii) commercial banks in Beijing are not authorised or obligated by law or executive order to be closed.

7 **Taxation and Withholding**

All payments (whether in respect of principal, interest or otherwise) in respect of the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC, or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as will result in the receipt by the Bondholder of such amounts as would have been received by such Bondholder if no such withholding or deduction had been required.

For the avoidance of doubt, the obligation of the Issuer to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, or interest on, the Bonds.

Except as specifically provided in this Condition 7, the Issuer shall not be required to make any payment with respect to any stamp or other taxes, duties, assessments or other governmental charges, if any, imposed by any government or any political subdivision or taxing authority thereof or therein. Whenever in these Conditions there is a reference, in any context, to the payment of the principal of, or interest on, or in respect of, the Bonds, such mention shall be deemed to include mention of the payment of additional amounts provided for in this Condition 7 to the extent that, in such context, additional amounts are, were or would be payable in respect

thereof pursuant to the provisions of this Condition 7 and express mention of the payment of additional amounts (if applicable) in any provision hereof shall not be construed as excluding additional amounts in those provisions hereof where such express mention is not made.

8 Events of Default

If any of the following events occurs and continues (each an “**Event of Default**”), the Bondholders, through an Extraordinary Resolution, might approve to give notice to the Issuer that all the Bonds are, and they shall immediately become, due and payable at their principal amount together with accrued and unpaid interest:

- (a) a default is made in the payment of any principal or interest in respect of the Bonds and such default is not cured within 30 days of the due date for payment;
- (b) the failure by the Issuer to observe or perform any other provision of these Conditions, and where it is not clearly impossible to remedy such failure, it is not remedied within 60 days following delivery to the Issuer of written notice of such default;
- (c) the failure by the Issuer to make any payment when due of principal or financial charge in excess of U.S.\$50,000,000 (or its equivalent in other currencies) (whether upon maturity, acceleration or otherwise) on or in connection with the Public Indebtedness of the Hainan Provincial People’s Government, and such failure by the Issuer continues for 30 days or more after the expiry of any applicable grace period following the date on which such payment became due;
- (d) the Issuer declares a suspension of, or a moratorium with respect to, the payments of the Public Indebtedness of the Hainan Provincial People’s Government generally; or
- (e) at any time it becomes unlawful for the Issuer to perform or comply with any of its payment obligations under the Bonds or any of the payment obligations of the Issuer under the Bonds ceases to be legal, valid, binding and enforceable on it.

An “**Extraordinary Resolution**” means a resolution passed at a meeting duly convened and held in accordance with the Fiscal Agency Agreement by a majority of at least 75% of the votes cast.

9 Meetings of Bondholders, Written Resolutions

- (a) **Convening Meetings of Bondholders, Conduct of Meetings of Bondholders, Written Resolutions**
 - (i) The Fiscal Agency Agreement contains provisions for convening meetings of the holders of Bonds for the time being outstanding (as defined in the Fiscal Agency Agreement) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. Such a meeting may be convened by the Issuer or by Bondholders holding not less than 10% in aggregate principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing a clear majority in the aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to sanction any proposal by the Issuer for changing the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will

be two or more persons holding or representing not less than 75%, or at any adjourned meeting not less than 25%, in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

- (ii) The Fiscal Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90% in principal amount of the Bonds for the time being outstanding (as defined in the Fiscal Agency Agreement) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Manifest error, etc.**

The Bonds, these Conditions and the provisions of the Fiscal Agency Agreement may be amended without the consent of the Bondholders to correct a manifest error. In addition, the parties to the Fiscal Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Bondholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Bondholders.

(c) **Bonds controlled by the Issuer**

For the purposes of (x) determining the right to attend and vote at any meeting of Bondholders, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution (as defined in the Fiscal Agency Agreement) and (y) this Condition 9, any Bonds which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means Department of Finance of Hainan Province of the People’s Republic of China, any other department or agency of the Issuer or any corporation, trust, financial institution or other entity owned or controlled by the Issuer or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Bond will also be deemed to be not outstanding if the Bond has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Bond has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Issuer has previously satisfied its obligations to make all payments due in respect of the Bond in accordance with its terms.

In advance of any meeting of Bondholders, or in connection with any Written Resolution, the Issuer shall provide to the Fiscal Agent a copy of a certificate, which includes information on the total number of Bonds which are for the time being held by or on behalf of the Issuer or by or on behalf of any person which is owned or controlled directly or indirectly by the Issuer or by any public sector instrumentality of the Issuer and, as such, such Bonds shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Bondholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal

Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

10 Waiver or Authorisation of Breach of Fiscal Agency Agreement

Notwithstanding any provision of Condition 9, the Issuer shall only permit any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, without the consent of the Bondholders, if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

11 Prescription

The right of a Bondholder to receive any payment under the Bonds shall become void ten years (in the case of principal) or six years (in the case of interest) after the due date for payment thereof.

12 Notices

Any notice to the holder of any definitive Bond shall be validly given if published in a leading newspaper having a general circulation in Hong Kong (which is expected to be the *South China Morning Post*) or, if that newspaper shall cease to be published or timely publication therein shall not be practicable, in another English language newspaper with general circulation in Hong Kong or, in either case, in such other manner as the Issuer shall determine. Any such notice shall be deemed to have been given on the date of first publication in an English language newspaper.

13 Replacement of Certificates

Any Certificate which is lost, stolen, mutilated, defaced or destroyed may be replaced at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the expense incurred in connection therewith and on such terms as to evidence, indemnity, security or otherwise as the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14 Further Issues

The Issuer may from time to time, without the consent of holders of the Bonds, create and issue further bonds having the same terms and conditions as the Bonds in all respects, except for the issue date, issue price and the first payment of interest thereon and so that such further issue shall be consolidated and form a single series with the Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 14 and forming a single series with the Bonds.

15 Contracts (Rights of Third Parties) Ordinance (Cap 623)

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Ordinance (Cap 623).

16 Governing Law and Jurisdiction

(a) Governing law

The Bonds are governed by, and shall be construed in accordance with, Hong Kong law.

(b) **Jurisdiction**

The courts of the Hong Kong Special Administrative Region of the People's Republic of China are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any suit, action or proceedings arising out of or in connection with the Bonds (together referred to as "**Proceedings**") may be brought in such courts. Each of the Issuer, the Agents and any Bondholder irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings have been brought in an inconvenient or inappropriate forum.

(c) **Agent for Service of Process**

The Issuer hereby appoints Bank of Communications Co., Ltd. Hong Kong Branch (currently at 16/F, COS Centre, 56 Tsun Yip Street, Kwun Tong, Hong Kong) as its agent in Hong Kong to receive service of process in any Proceedings in Hong Kong based on the Fiscal Agency Agreement and the Bonds.

(d) **Waiver of immunity**

To the extent that the Issuer may in any jurisdiction claim for itself immunity from any such Proceedings, and to the extent that in any such jurisdiction there may be attributed to the Issuer such immunity (whether or not claimed), the Issuer hereby agrees not to claim and hereby waives and will waive such immunity in the face of the courts; provided, however, that the Issuer has not waived, and shall not waive, its sovereign and other immunity with respect to its assets wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise.

TERMS AND CONDITIONS OF THE 2025 BONDS

The terms and conditions of the 2025 Bonds will be identical to those under “Terms and Conditions of the 2024 Bonds” except as set out below and references to “Bonds” shall be construed as references to the 2025 Bonds.

1. The principal amount of the 2025 Bonds shall be RMB2,600,000,000.
2. The rate of interest of the 2025 Bonds shall be 2.65% per annum.
3. The maturity date of the 2025 Bonds shall be 2 November 2025.

TERMS AND CONDITIONS OF THE 2027 BONDS

The terms and conditions of the 2027 Bonds will be identical to those under “Terms and Conditions of the 2024 Bonds” except as set out below and references to “Bonds” shall be construed as references to the 2027 Bonds.

1. The principal amount of the 2027 Bonds shall be RMB1,200,000,000.
2. The rate of interest of the 2027 Bonds shall be 2.85% per annum.
3. The maturity date of the 2027 Bonds shall be 2 November 2027.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

The Fiscal Agency Agreement and each Global Certificate contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions. Capitalised terms used but not defined in this section have the meanings given to them in the Fiscal Agency Agreement.

1. Principal Amount and Exchange

The principal amount of the Bonds shall be the aggregate amount from time to time entered in the records of the Central Moneymarkets Unit Service (the “**CMU**”) or any alternative clearing system (the “**Alternative Clearing System**”) (each a “**relevant Clearing System**”). The records of such relevant Clearing System shall be conclusive evidence of the principal amount of Bonds represented by the relevant Global Certificate and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time. Each Global Certificate will be registered in the name of the Hong Kong Monetary Authority (“**HKMA**”) as operator (the “**Operator**”) of the CMU and may be delivered on or prior to the Issue Date. Upon the registration of the relevant Global Certificate in the name of the HKMA as the Operator of the CMU and delivery of such Global Certificate to a sub-custodian for the HKMA as the Operator of the CMU, CMU will credit each subscriber with a principal amount of Bonds equal to the principal amount thereof for which it has subscribed and paid.

2. Payments

Payments of principal and interest in respect of the Bonds represented by the Global Certificates will be made without presentation or if no further payment falls to be made in respect of the Bonds, against surrender of the relevant Global Certificate at the specified office of any Transfer Agent or of the Registrar. So long as any of the Bonds are represented by the relevant Global Certificate, each payment will be made to the persons for whose account a relevant interest in the relevant Global Certificate is credited as being held with the CMU in accordance with the CMU Rules at the relevant time and payment made in accordance thereof. Such payment will discharge the Issuer’s obligations in respect of that payment. For these purpose, a notification from the CMU shall be conclusive evidence of the records of the CMU (save in the case of manifest error), and each payment will be made to, or to the order of, person(s) for whose account(s) interest(s) in the relevant Global Certificate are credited as being held by the CMU in accordance with the CMU Rules at the close of business on the Business Day immediately prior to the date for payment where “**Business Day**” means a day on which the relevant clearing system is operating and open for business. Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants.

3. Notices

For so long as the Bonds are represented by the relevant Global Certificate and such Global Certificate is held on behalf of the Operator or any Alternative Clearing System, notices required to be given to holders of such Bonds may be given by delivery of the relevant notice to CMU on the day on which such notice is delivered to the CMU, or as the case may be, to the person(s) confirmed by the relevant Alternative Clearing System, on the Business Day preceding the date of despatch of such notice as holding interests in the Global Certificate rather than by publication as required by the *Terms and Conditions of the Bonds*, where “**Business Day**” means a day on which the relevant clearing system is operating and open for business.

4. Meetings

The registered holder of the relevant Global Certificate shall (unless such Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of holders of the Bonds and, at any such meeting, as having one vote in respect of each RMB10,000 in principal amount of Bonds.

5. Default

If principal in respect of any Bonds is not paid when due and payable (but subject as provided in the relevant Global Certificate), the holder of the Bonds represented by the relevant Global Certificate may from time to time elect that Direct Rights under the provisions of the relevant Global Certificate shall come into effect. Such election shall be made in the manner described in the relevant Global Certificate.

6. Electronic Consent and Written Resolution

While the relevant Global Certificate is held on behalf of a relevant Clearing System, then:

- (a) approval of a resolution proposed by the Issuer given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures (i) by or on behalf of the holders who for the time being are entitled to receive notice of a Meeting under the Fiscal Agency Agreement or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of persons holding at least the relevant percentage of the aggregate principal amount of the outstanding Bonds of the relevant series as provided in the Fiscal Agency Agreement, shall, for all purposes take effect as a resolution in accordance with the Fiscal Agency Agreement and shall be binding on all relevant Bondholders of the relevant series whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the *Terms and Conditions of the Bonds*) has been validly passed in respect of a series, the Issuer shall be entitled to rely on consent or instructions given in writing directly to the Issuer by accountholders in the relevant Clearing System with entitlements to the relevant Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement beneficially held, subject to and in accordance with the provisions as further set out in the Fiscal Agency Agreement.

INTRODUCTION TO HAINAN

Overview

The Bonds are being issued by the Hainan People's Government. The full faith and credit of the Hainan People's Government is pledged for the due and punctual payment of all the principal and interest of the Bonds and the timely and proper performance of all its obligations under the Bonds.

The issuance of the Bonds has been included in the 2022 financial budget plan of Hainan Province of the People's Republic of China as approved by the People's Congress of Hainan Province ("**Hainan PC**") and the Standing Committee of the People's Congress of Hainan Province (the "**Standing Committee of Hainan PC**") in accordance with the statutory procedures. The Bonds constitute part of the debts of the Hainan People's Government.

Hainan is positioned as a pilot zone for furthering all-round reform and opening-up, a national pilot zone for ecological conservation, an international tourism and consumption destination and a service zone for implementing China's major strategies. With sound policy environment, legal environment, business environment, ecological environment, economic development system, social governance system, risk prevention and control system and organisational leadership system, Hainan is bringing its own strengths into full play on the journey of China's building of a great modern socialist country in all aspects and in pursuit of achieving China's second centenary goal. To make itself a paradigm of reform and opening-up in the new era of China and to build Hainan free trade port (the "**Hainan FTP**") into a shining Chinese model for the world, Hainan strives to accelerate the development of Hainan FTP with Chinese characteristics and global influence.

Geographical Location

Hainan is located at the southernmost tip of China. The northern part of Hainan and Guangdong Province are separated by the Qiongzhou Strait. The western part of Hainan is facing Vietnam across the Beibu Gulf. The eastern and southern parts of Hainan are located in the South China Sea, adjacent to the Philippines, Brunei, Indonesia and Malaysia. The administrative area of Hainan includes Hainan Island, the islands and reefs of Xisha Qundao (the Xisha Islands), Zhongsha Qundao (the Zhongsha Islands) and Nansha Qundao (the Nansha Islands) and their sea areas, making it the largest province in China in terms of area with a total land area of approximately 35,400 square kilometres. The Hainan Island is located at the latitude between 18.10 and 20.10 degrees north and the longitude between 108.37 and 111.03 degrees east, with an island area of 33,900 square kilometres. The total length of the coastline of Hainan is 1,944 kilometres. It contains 68 harbours of varying sizes, surrounded by contour areas of approximately 2,330.55 square kilometres with a depth of minus five metres to minus ten metres, representing approximately 6.8% of the total land area of Hainan.

Administrative Divisions

As at 31 December 2020, Hainan has direct jurisdiction over four prefecture-level cities (including Haikou Municipality, Sanya Municipality, Sansha Municipality and Danzhou Municipality), five county-level cities, four counties, six autonomous counties, eight districts and 195 villages or towns.

Population

According to the results of the Seventh National Population Census, the permanent population¹ of Hainan was 10,081,232, representing an increase of 1,409,747, or 16.3%, from ten years ago, with an average annual growth rate of 1.52% over the past ten years. According to the results of the Seventh National Population Census, among the permanent population of Hainan, 6,590,908 people were between 15 to 59 of age, accounting for 65.4% of the permanent population; the population of Han Chinese was 8,498,241, representing 84.3% of the

¹ The permanent population of Hainan excludes Hong Kong, Macao and Taiwan residents, foreigners and military personnel residing in Hainan.

permanent population; and the population of ethnic minorities was 1,582,991, representing 15.7% of the permanent population.

Economy

Hainan is positioned as a pilot zone for furthering all-round reform and opening-up, a national pilot zone for ecological conservation, an international tourism and consumption destination and a service zone for implementing China's major strategies. It is developing itself into a key gateway for China's opening up to the Pacific Ocean and the Indian Ocean.

In 2021, Hainan's regional gross domestic product ("GDP") amounted to RMB647.52 billion, representing an increase of 11.2% year-on-year and ranking second in China. Hainan ranked first in China in terms of average growth rate of the regional GDP in 2020 and 2021; the revenue generated from general public budget of the local government in Hainan amounted to RMB92.12 billion, representing 109.6% of the total budget and an increase of 12.9% year-on-year, ranking the seventh in China in terms of growth rate.

In 2021, Hainan ranked seventh in China in terms of growth rate of fixed asset investment, first in China in terms of the growth rate of total retail sales of consumer goods, and third in China in terms of the growth rate of total value of imports and exports. During the same year, Hainan became one of three provinces in China with the lowest increase in the rate of its consumer price index ("CPI"), an improvement from previously being one of the top-ranked provinces in terms of increase in the rate of the CPI.

In 2021, around 81.004 million tourists visited Hainan, which contributed RMB138.43 billion of revenue to Hainan's tourism industry. In 2021, travel and tourism sector accounted for 9.1% of Hainan's GDP in terms of revenue and 33.9% in terms of share of contribution, making Hainan one of the few provinces in China where tourism has revived the best in the post-pandemic period. In 2021, the number of high-tech enterprises in Hainan exceeded 1,200, representing a year-on-year increase of 43.6%; the revenue generated from the high-tech industry reached RMB343.26 billion, representing a year-on-year increase of 32.8%.

Transportation

Hainan is the key portal for China's reforms and opening-up and is equipped with sea, land and air ports. As at 31 December 2021, Hainan had 17 international container shipping routes and 21 domestic container shipping routes. Hainan plays a prominent role in acting as a pivot point of the Belt and Road Initiative. The passenger traffic at the Haikou Meilan International Airport and the Sanya Phoenix International Airport in Hainan has each exceeded 20 million, making Hainan the third province with two airports that are capable of handling over 20 million passengers in China, following Shanghai and Guangdong. In 2021, the air passenger traffic and cargo traffic of Hainan reached 34.889 million and 254,000 tons, respectively. As at 31 December 2021, Hainan had a road network, highways, national and provincial trunk lines and rural roads stretching for 41,045 kilometres, 1,265 kilometres, 3,563 kilometres and 36,216 kilometres, respectively, representing an increase of 52.8%, 57.5%, 30.6% and 55.2%, respectively, since 2015. The density of the road network in Hainan increased from 79.2 kilometres per 100 square kilometres in 2015 to 121.1 kilometres per 100 square kilometres in 2021, which was above the national average.

The People's Congress of Hainan Province and The Standing Committee of the People's Congress of Hainan Province

Hainan PC is the state authority in Hainan Province. The Standing Committee of Hainan PC is the permanent body of Hainan PC, which is accountable to, and reports to, Hainan PC.

The main functions and powers of Hainan PC include the following:

- to make and promulgate local regulations according to the specific local conditions and actual needs of Hainan, and to submit the local regulations to the Standing Committee of the National People's Congress

(the “**Standing Committee of NPC**”) and the State Council of the People’s Republic of China (the “**State Council**”) for registration on the premise that such local regulations do not contravene the Constitution of the PRC (the “**Constitution**”), laws and administrative regulations;

- to make and implement regulations within Hainan Special Economic Zone in light of the specific local conditions and actual needs of Hainan Special Economic Zone, and in compliance with the principles of related national laws, related decisions promulgated by the National People’s Congress (“**NPC**”) and the Standing Committee of NPC and related administrative regulations promulgated by the State Council. The regulations must be submitted to the Standing Committee of NPC and the State Council for registration;
- to ensure compliance with and implementation of the Constitution, laws and the administrative regulations and the resolutions adopted by NPC and the Standing Committee of NPC in Hainan’s administrative area;
- to ensure implementation of the state plan and the state budget plan;
- to examine and approve the plans for national economic and social development, the budgets for such plans and the reports on implementation of such plans in Hainan;
- to discuss and decide on major issues related to politics, economy, education, science, culture, public health, environment and resources protection, civil affairs, ethnic affairs and others in Hainan;
- to elect and remove from office the composition of the members of the Standing Committee of Hainan PC;
- to elect and remove from office the governor and deputy governor of the Hainan People’s Government;
- to elect and remove from office the president of the High People’s Court of Hainan Province and the chief procurator of the People’s Procuratorates of Hainan Province (the election or deposal of the chief procurator must be reported to the chief procurator of the Supreme People’s Procuratorate of the PRC for approval by the Standing Committee of NPC);
- to elect the members of NPC and remove from office the members of NPC elected by Hainan PC;
- to review the work report of the Standing Committee of Hainan PC;
- to review the work report of the Hainan People’s Government, the High People’s Court of Hainan Province and the People’s Procuratorates of Hainan Province;
- to revise or revoke inappropriate resolutions made by the Standing Committee of Hainan PC;
- to revoke inappropriate resolutions and orders made by the Hainan People’s Government;
- to protect socialist property owned by the collective and socialist property collectively owned by the working people, to protect the citizens’ lawfully owned personal property, to maintain public order and to protect the citizens’ personal, democratic and other rights;
- to protect the legitimate rights and interests of various economic organisations;
- to safeguard the rights of ethnic minorities; and
- to safeguard women’s rights recognised and protected by the Constitution and laws, such as gender equality, equal pay for equal work and freedom of marriage.

Hainan People's Government

The Hainan People's Government is the executive branch of Hainan PC and is accountable to, and reports to, Hainan PC. When Hainan PC is in prorogue, the Hainan People's Government is accountable to, and reports to, the Standing Committee of Hainan PC.

The main functions and powers of the Hainan People's Government include the following:

- to implement the resolutions of Hainan PC and the Standing Committee of Hainan PC as well as the resolutions and orders of state administrative organs at higher levels, and to formulate administrative measures and issue resolutions and orders;
- to direct the work of its subordinate departments and of the people's governments at lower levels;
- to revise or revoke the inappropriate orders and directives of its subordinate departments and the inappropriate resolutions and orders of the people's governments at lower levels;
- to appoint or remove from office, train, assess, reward or penalise officers of the state organs in accordance with the provisions of laws;
- to implement the national economic and social development plans and budget plans, and to manage administrative work related to the economy, education, science, culture, public health, sports, environment and resources protection, urban and rural development and finance, civil affairs, public security, ethnic affairs, judicial administration, supervision and family planning in Hainan's administrative area;
- to protect socialist property owned by the collective and socialist property collectively owned by the working people, to protect the citizens' lawfully owned personal property, to maintain public order and to protect the citizens' personal, democratic and other rights;
- to protect the legitimate rights and interests of various economic organisations;
- to safeguard women's rights recognised and protected by the Constitution and laws, such as gender equality, equal pay for equal work and freedom of marriage; and
- to handle other matters assigned by the state administrative organs at higher levels.

HAINAN FTP

Introduction

Hainan is the largest special economic zone in the PRC with unique advantages in the implementation of furthering all-round reform and pilot opening-up policies at its optimal level. Hainan FTP is set up in Hainan Island with the policies and systems of Hainan FTP established in steps and in phases, with an aim to realise the liberalisation and facilitation of trade, investment, cross-border capital flows, entry/exit of people and transportation as well as secure and orderly data transfers.

Legal System

The Laws of People's Republic of China on the Hainan FTP was promulgated and became effective on 10 June 2021, providing important legal safeguards for the construction and development of Hainan FTP at the national legislative level. These aim to promote the central task of liberalising and facilitating trade and investment, focuses on the basic framework and key institutions, and covers five main areas: authorisation of legislation and management authority, trade liberalisation and facilitation, investment liberalisation and facilitation, taxation system and ecological environmental protection.

On 29 September 2021, the Thirtieth Session of the Sixth Standing Committee of Hainan PC approved the Regulations on Optimising Business Environment in Hainan FTP, the Regulations on Anti-Consumer Fraud in Hainan FTP, the Regulations on Fair Competition in Hainan FTP and the Regulations on Social Credit in Hainan FTP. These regulations were the first wave of supporting regulations introduced since the promulgation and implementation of the Laws of People's Republic of China on the Hainan FTP.

Within one year after the promulgation of the Laws of People's Republic of China on the Hainan FTP, Hainan enacted 17 free trade port regulations, with a focus on consolidating the legislation on three areas to accelerate the construction of the regulatory system of a free trade port: promoting reform and innovation, promoting industrial development and promoting ecological protection. As at 10 June 2022, more than 180 policies have been published on the construction of Hainan FTP, mainly covering trade policies, investment policies, fiscal policies, financial policies, shipping and aviation policies, and data transfers policies. Hainan FTP has preliminarily formulated competitive policies and institutional systems, and the system of policies and instructions of Hainan FTP was fundamentally established.

Strategic Framework

In relation to the establishment and construction of Hainan FTP, Hainan FTP implements A Strategic Framework of "One Guideline, Three Foundations, Fourfold Positioning and Eight Pillars", namely, (1) to follow a series of important speeches, directions and instructions of President Xi in relation to the work of Hainan, (2) to take (a) Guidelines of the Communist Party of China and the State Council on Supporting Hainan in Furthering All-round Reform and Opening-up, (b) the Overall Plan for the Construction of Hainan FTP (the "**Overall Plan**") and (c) the Laws of People's Republic of China on the Hainan FTP as the foundation of the system, (3) to position Hainan FTP as a pilot zone for furthering all-round reform and opening-up, a national pilot zone for ecological conservation, an international tourism and consumption destination and a service zone for implementing China's major strategies, and (4) continue to develop the policy environment, legal environment, business environment, ecological environment, economic development system, social governance system, risk prevention and control system and organisational leadership system.

Political Development Goal

The independent customs operation across Hainan Island is the top priority of the Overall Construction Plan of Hainan FTP and the White Paper on the Construction of Hainan FTP (June 2021 to May 2022) (the "**White Paper**"). Hainan aims to achieve the general goal of completing all physical conditions for the independent customs operation by the end of 2023, finalising preparations for the independent customs operation by the end

of 2024 and launching the independent customs operation in due course in 2025. According to the Overall Plan, the policy and system framework of Hainan FTP with a focus on the liberalisation and facilitation of trade and investment will be primarily established by 2025. It is expected that Hainan FTP would be able to provide first-class business environment with surging market participants, increasing industrial competition, effective risk control, gradually improving laws and regulations with Hainan FTP characteristics and markedly enhanced quality and efficacy of economic development. By 2035, it is expected that the system framework and operation model of Hainan FTP will be more developed with the establishment of trade and investment rules based on liberalisation, justice, legality and procedural supervision, realising the liberalisation and facilitation of trade, investment, cross-border capital flows, entry/exit of people and transportation as well as the secure and orderly data transfers. It is expected that the business environment, the rule-of-law system and risk prevention and control system and modern social governance framework will be primarily established, making Hainan an exemplar of opening-up economy of the PRC. By the middle of this century, it is expected that Hainan FTP will grow to be an optimal-performing free trade port with strong global influences.

Political Systems

With liberalisation and facilitation of trade and investment as the key focus, Hainan FTP's policy framework has been designed based on the following elements and foundations, including (1) the cross-border mobility of various industrial factors in a free, safe and orderly manner and a modern industrial system, (2) a special tax system, (3) an efficient social governance system and developed legal system, (4) as well as a prerequisite of clear division of responsibilities and no tolerance for systematic risks. The system covers eleven aspects, including trade liberalisation and facilitation, investment liberalisation and facilitation, liberalisation and facilitation of cross-border capital flows, liberalisation and facilitation of entry/exit of people, liberalising and facilitating transportation, secure and orderly data transfers, modern industrial system, tax system, social governance, rule-of-law system and risk prevention and control system.

Four leading industries and the new pattern of “Three Poles, One Belt and One Area”

According to the Overall Plan and the White Paper, Hainan plans to intensively develop tourism, modern services, high-tech industries and high efficiency tropical agriculture and to continuously consolidate the foundation of real economy to enhance industrial competitiveness. These four leading industries have gradually become the most significant backbones of Hainan's high-quality economic development.

In addition, Hainan would also accelerate the regional synergetic development and build a new pattern of “Three Poles, One Belt and One Area”. The “Three Poles” refers to the Haikou economic circle composed of Haikou, Chengmai, Wenchang, Ding'an, Tunchang and other cities and counties (the “**Haikou Economic Circle**”), the Sanya economic circle composed of Sanya, Lingshui, Ledong, Baoting and other cities and counties (the “**Sanya Economic Circle**”), and the Danyang economic circle composed of the integrated development of Danzhou and Yangpu (the “**Danyang Economic Circle**”). The “One Belt” refers to the coastal urban belt composed of Haikou, Wenchang, Qionghai, Wanning, Lingshui, Sanya, Ledong, Dongfang, Changjiang, Danzhou, Lingao, Chengmai and other coastal cities and counties (the “**Urban Belt of Coastal Cities**”). The “One Area” refers to ecological conservation area of the central mountains composed of Wuzhishan, Baoting, Qiongzong, Baisha and other central cities and counties (the “**Ecological Conservation Area of the Central Mountains**”). The relevant measures include:

- *Strengthening the Haikou Economic Circle, comprehensively improving its development level and building a core leading area in Hainan FTP.* It is designed that Haikou Economic Circle will leverage off Haikou's leading role, together with Chengmai, Wenchang, Ding'an, Tunchang and other surrounding cities and counties, to comprehensively improve the development level of the Haikou Economic Circle, striving to create a new comprehensive competitive advantage of the "Great Haikou", and create a core leading area in Hainan FTP with Chinese characteristics.

- *Upgrading and elaborating the Sanya Economic Circle and building an international tourist attraction and scientific innovation highland in Hainan FTP.* Hainan intends to take advantage of Sanya's international tourism and scientific and technological innovation resources in the Sanya Economic Circle to drive the development of Lingshui, Ledong, Baoting and other surrounding cities and counties, cultivate and develop future industries such as off-season seed breeding (the “Nanfan”), deep-sea and new generation of information technology industries, and build the Sanya Economic Circle into a scientific innovation highland and an international tourist resort in Hainan FTP.
- *Accelerating the development of the Danyang Economic Circle and creating a pilot and demonstration zone for the integrated development of the ports, the industries and the cities in Hainan FTP.* The Danyang Economic Circle is designed to speed up the integrated development by tapping into the development potential of famous historical and cultural cities, leveraging off the policy advantages, the location advantages and industrial advantages of Yangpu as well as the urban functions and hinterland advantages of Danzhou, and to build a pilot and demonstration zone for the integrated development of the ports, the industries and the cities in Hainan FTP.
- *Highlighting the function and image of coastal cities and coordinating the planning and construction of the Urban Belt of Coastal Cities based on new urbanisation.* The Urban Belt of Coastal Cities would take the island roundabout tourism highway as the main axis and the island roundabout high-speed railway, expressway and other traffic corridors as the link to accelerate the formation of the “2+3” coastal central city pattern, promoting the coordinated development of coastal cities and towns, and building a world-class Urban Belt of Coastal Cities led by the central city and coordinated development of large, small and medium-sized cities.
- *Focusing on the construction of tropical rain forest national parks and accelerating the construction of the Ecological Conservation Area of the Central Mountains.* The Ecological Conservation Area of the Central Mountains would take the construction of Hainan tropical rainforest national parks as the focus, adhering to the policy of development and preservation, strengthening the connection between the multi-level highway network in the central region and the island tour highway, intensively develop the tropical rainforest tourism industry, and promote the formation of a new landscape of the interaction between mountain and sea and the complementarity of green and blue economies.

Liberalisation and Facilitation Measures

Trade liberalisation and facilitation

- *Reinforcing the construction of a key functional platform, applying the policy of opening-up through the First Line and efficient control on the Second Line.* It is designed to set up a “first line” between Hainan FTP and other countries and regions beyond the customs territories of the PRC. On the condition that Hainan FTP observes its performance of obligations under the international treaties to which the PRC is a party to, Hainan FTP will ensure the designation and adherence to the List of Prohibited or Restricted Goods and Items from Imports and Exports from Hainan FTP (the “List”) and allow articles not on the List to enjoy unrestricted access to import and export in Hainan FTP. Further, to also apply efficient control on a “second line” between Hainan FTP and other regions within the customs territories of the PRC, Hainan FTP will impose customs duties and import taxes in accordance with laws and regulations.
- *Promoting facilitation of internal trade.* To improve the function of the “single window” for international trade, add 17 new application modules with Hainan characteristics, and simplify regulatory licences and procedures. As a result, the processing time for the customs clearance of import and export in Hainan port has been improved.

- *Accelerating the development of new services trade.* To enact Several Measures to Promote Trade Liberalisation and Facilitation of Hainan FTP, Special Administrative Measures on Cross-border Services Trade of Hainan FTP (the “**Negative List of Cross-border Services Trade**”) and Overall Plan of Enlarging and Opening-up Comprehensive Pilot Programs of Hainan’s Services Industry, among which, the Negative List of Cross-border Services Trade is the first negative list in the PRC.
- *Optimising Goods Trade Structure.* To implement the integration policy of domestic and international trades, promote the introduction of the List in the form of loosening control measures of part of import and export goods, and implement the export policy of second-hand cars.

Investment liberalisation and facilitation

- *Promoting the construction of investment facilitation platform.* To continuously improve the function of the single window for Hainan international investment, optimise the service system where all applications could be done through a single window that integrates and covers not only all procedures online and offline, but also pre-, peri- and post-investment procedures. The approval procedures of projects are greatly reduced. The approval time is greatly shortened. As a result, the time repaired from the kick-off to the launch phases of projects will be greatly improved.
- *Protecting intellectual properties and fair competition in the market.* China (Sanya) Intellectual Property Protection Center (the “**IP Center**”) has officially been put into operation. The IP Center has established swift examination, authorisation and rights protection track focusing on modern agriculture industry and ocean industry. In addition, Fair Competition Regulation of the Hainan FTP has been introduced, which optimises the working mechanism for the coordination of fair competition proceedings, establishing the first fair competition commission in China.

Liberalisation and facilitation of cross-border capital flows

- *Continuously increasing the liberalisation and facilitation of influx and outflux of cross-border capital.* In 2021, the income and expenditure of offshore resale business in Hainan totaled RMB7.48 billion. For five months ended 31 May 2022, the income and expenditure of offshore resale business in Hainan totaled RMB7.11 billion, representing an increase of 140% year-on-year.
- *Hainan free trade account system operates smoothly.* In 2021, Hainan free trade account (the “**FT account**”) processed foreign exchange for clients with an amount of RMB12.03 billion, representing an increase of 580% year-on-year. In 2021, Hainan FT account also processed various financing with local currency and foreign currency with an amount of RMB10.48 billion.
- See “*Introduction to Hainan – Financial System of Hainan – Hainan FTP Finance*” for more details.

Liberalisation and facilitation of entry/exit of people

- *The action plan of “a million talents entering Hainan” has achieved initial results.* From April 2018 to April 2022, Hainan introduced 432,000 talents of all kinds, including 199,000 talents in 2021, representing a year-on-year increase of 63.0% over 2020. The agglomeration effect of the talents in Hainan FTP has taken shape.
- *Building an open and convenient immigration and entry-exit talent introduction policy system.* Hainan has opened up overseas personnel to participate in a number of vocational qualification examinations and recognised a number of overseas vocational qualifications.
- *Comprehensively improving talent services.* In 2021, Hainan has identified and filed nearly 12,000 high-level talents, and issued more than 11,000 Tianya talent cards. Hainan has been approved for 3 national expert service bases and 5 grass-roots expert service projects.

Liberalising and facilitating transportation

- *Promoting the construction of “China Yangpu Port” as an international port of registry.* As at 31 May 2022, there were 33 international ships registered at the port of registry of “China Yangpu Port”, with a total deadweight tonnage of more than 5.16 million tons. Hainan’s total tonnage of international ships ranked the second place in China for the first time. In 2021, the container throughput of Yangpu Port exceeded 1.318 million twenty-foot equivalent units (“TEUs”), ranking the first in China among the ports above one million TEUs. From January to May 2022, the container throughput of Yangpu Port was 671,000 TEUs, representing a year-on-year increase of 48.7%.
- *Further improving the opening-up level of air traffic rights.* Hainan has opened Haikou-Amsterdam all-cargo flights route and has opened 13 overseas cargo routes including Haikou-Moscow, Haikou-Paris, Haikou-Hahn and Sanya-Darwin Port-Vila.
- *Accelerating the integration of ports and navigation in Qiongzhou Strait.* In 2021, there were 12.57 million passengers and 3.75 million vehicles entering and leaving the island from the Qiongzhou Strait. During the Spring Festival of 2022, the transportation port remained smooth with an increase of 86% in the number of vehicles and passengers compared with 2021.
- *Advancing the healthy development of general aviation.* In 2021, the number of take-off and landing flights, number of hours and passengers of air tourism in Hainan Province reached 96,000, 7,000 and 259,000 respectively, accounting for 63.6%, 38% and 70% on national level, respectively, taking the lead in the country.

Tax System

According to the Overall Plan issued by the Central Committee of the Communist Party of China (the “CCCPC”) and the State Council on 1 June 2020, under the principles of zero tariffs, low tax rates, a simplified tax system, strong rule of law and a phased implementation, Hainan FTP will gradually establish a tax system compatible with a high-level free trade port.

Zero Tariffs

Before the implementation of independent customs operation across Hainan Island, certain imported goods would be first exempted from import tariffs, import value-added taxes and consumption taxes. After the roll-out of independent customs operation across Hainan Island and the streamlining of the tax system, import tariffs would be exempted for commodities not listed in the catalogue of imported taxable commodities that are allowed to be imported into Hainan FTP.

Low Tax Rates

Preferential corporate income tax rates are applied to enterprises who are engaged in substantial business operations in Hainan PTP. Preferential tax rates for personal income tax are applied to eligible individuals.

Simplified Tax System

Hainan FTP will explore ways to simplify the tax system as part of the tax reform in China. Hainan FTP will reform its tax system and reduce the proportion of indirect taxes, making the structure of tax category simpler and more scientific, the elements of tax system fully optimised, tax burden significantly reduced, the attribution of incomes more explicit and the fiscal revenues and expenditures generally balanced. As at 31 May 2022, the sales tax reform plan (first draft) for Hainan FTP has been drafted.

Strong Rule of Law

The tax administration department will assess and give early warning to tax payment behaviours according to the principles of the location of substantive economic activities and the location of value creation. The tax

administration departments will formulate concise and easy-to-implement criteria for the principal place of business and place of residence, strengthen the identification of tax evasion risks, prevent tax base erosion and profit shifting and eradicate the possibility of “tax haven”. The tax administration departments will also actively take part in international tax collection and supervision cooperation and advance sharing of tax-related information. The tax administration department will strengthen the service and administration of credit classification for taxation and take corresponding measures against enterprises and individuals with illegal and dishonest acts according to the laws and regulations.

Phased Implementation

Hainan FTP will carry out the arrangements of zero tariffs, low tax rates and simplified tax system according to the different phases of building Hainan FTP and eventually create an internationally competitive tax system.

Before 2025, to promote liberalisation and facilitation of trade and investment, Hainan FTP will drive forward opening-up in an orderly manner and streamline the process for effective management, thus achieving early success and initiating independent customs operation across Hainan Island in due course based on effective supervision. Hainan FTP will conduct overall assessments in due course on the preparatory work for the initiation of independent customs operation across Hainan Island to identify and plug any safety loophole. Hainan FTP will launch independent customs operation only after all preparations are done, and the Yangpu Bonded Port Area, Haikou Comprehensive Bonded Zone along with other special customs supervision zones will be cancelled. Relevant supervision plans will be rolled out by relevant departments respectively. While independent customs territory will cover the whole Hainan Island, the current value-added tax, consumption tax, vehicle purchase tax, urban maintenance and construction tax, education surcharges and other taxes and charges will be streamlined based on laws and related work for charging and collecting sales tax in retail sales of goods and services will commence.

Before 2035, Hainan FTP will further optimise and improve opening-up policies and relevant systems. To further promote the reform of its taxation system, enterprises registered and in substantive operation in Hainan FTP (except for industries on the negative list) are entitled to a reduced enterprise income tax rate of 15%. As for individuals who have resided in Hainan FTP for 183 days within a single tax year, the personal income tax of their comprehensive incomes and business incomes obtained in Hainan FTP will be collected at progressive tax rates in excess of specific amount and the rate will be broken down into three categories: 3%, 10% and 15%. Hainan FTP will expand the administrative authority of Hainan local taxation. Enterprise income tax and individual income tax in Hainan FTP will serve as shared incomes between the Central People’s Government of the People’s Republic of China (the “**Central Government**”) and the local government. Sales tax and other domestic taxes will serve as revenues of the local government. Hainan FTP is authorised to independently reduce, exempt and postpone the imposition of tax beyond government funds of an ecological compensation nature and to independently establish revenues from administrative charges relating to enterprises based on the development needs of Hainan FTP. The administrative charges at the Central Government level will be implemented according to the uniform regulations of the Central Government. The central financial support policies will be adjusted accordingly in line with the changes in the taxation system and relevant support will be enforced. Hainan FTP will carry out further research to improve the framework of subsidy policies to provide reference for China to participate in formulating international rules on subsidies.

ECONOMY OF HAINAN

Overview

In 2021, Hainan's GDP reached RMB647.52 billion and it had the second highest GDP growth rate in China. Hainan also had the highest average GDP growth rate of 2020 and 2021 among all the provinces in China.

Four Leading Industries

According to the Overall Plan and the White Paper, Hainan plans to intensively develop its tourism industry, modern services industry, high-tech industry and efficient tropical agriculture industry and continue to consolidate the foundation of its real economy to enhance industrial competitiveness. These four leading industries have gradually become the most important pillars of Hainan's high-quality economic development.

Recent Developments

In the first half of 2022, Hainan overcame the impact of the pandemic on tourism and consumption sectors. It achieved positive growth in GDP, investment in fixed assets, imports and exports of goods, and actual utilisation of foreign investment.

Hainan's Economy Achieved Positive Growth in the First Half of 2022

In the first half of 2022, Hainan's GDP reached RMB314.46 billion. Hainan's GDP at constant prices represented an increase of 1.6% over the same period in 2021.

Investment in Fixed Assets Grew Fast along with the Growth of Investment in Industries and Investment in Infrastructure

In the first half of 2022, investment in fixed assets in Hainan grew by 7.3% over the same period in 2021. In terms of sectors, investment in industries (excluding real estate development) increased by 13.8% over the same period in 2021, 6.5 percentage points higher than Hainan's overall investment growth rate, accounting for 31.2% of Hainan's investment; investment in infrastructure grew by 15.6% over the same period in 2021, accounting for 26.4% of investment; and investment in public service grew by 3.0% over the same period in 2021.

Robust Sales of New Energy Vehicles despite Decline in Overall Market Sales

In the first half of 2022, the total retail sales of consumer goods in Hainan reached RMB101.16 billion, representing a year-on-year decrease of 5.9%. By types of consumer goods, retail sales of new energy vehicles from enterprises above designated size increased by 90.8% over the same period in 2021; retail sales of petroleum and products increased by 23.1%; and retail sales of beverages and foodstuffs increased by 29.5% and 16.1%, respectively.

Imports and Exports of Goods Grew Rapidly with Accelerated Growth of Actual Utilisation of Foreign Investment

In the first half of 2022, the total value of imports and exports in Hainan was RMB91.7 billion, increasing by 56.0% over the same period in 2021, where the total value of imports amounted to RMB65.29 billion, representing a year-on-year increase of 46.3% over the same period in 2021; and the total value of total exports amounted to RMB26.42 billion, representing a year-on-year increase of 86.6% over the same period in 2021.

In the first half of 2022, the actual utilisation of foreign investment in Hainan amounted to USD1.59 billion, with a year-on-year increase of 67.4%, and the growth rate increased by 30.5 percentage points compared with the first quarter of 2022.

People's Livelihood was Enhanced and Rural Residents' Income Maintained Rapid Growth

In the first half of 2022, the per capita disposable income of Hainan residents was RMB16,230, increasing by 3.6% over the same period in 2021. In the first half of 2022, Hainan's employed population increased by 85,000

in urban areas. In the first half of 2022, CPI in Hainan increased by 1.2% compared to the same period last year. In the first half of 2022, the general public budget expenditure of the local government on people's livelihood in Hainan increased by 13.5% over the same period in 2021, being 4.3 percentage points higher than the growth rate of total expenditure over the same period.

Air and Water Quality Remained Excellent and Clean Energy Generation Grew Fast

In the first half of 2022, rate for good ambient air quality index of Hainan was 99.6%. Among others, the average concentration of PM2.5 in cities (towns) was 12 micrograms per cubic metre. 100% of the prefecture-level urban water sources met the standard water quality rate.

In the first half of 2022, the clean energy power generation by industrial enterprises above designated size of Hainan was 9.53 billion kWh, representing a year-on-year increase of 10.6%, accounting for 51.3% of the total power generation by industrial enterprises above designated size, with the proportion increasing by 4.8 percentage points over the same period last year.

Economic Development Goals

In January 2021, the Fourth Session of the Sixth Hainan PC reviewed and approved the 14th Five-Year Plan for National Economic and Social Development and Long-term Objectives of Year 2035 of Hainan Province (the “**14th Five-Year Plan of Hainan**”). The following main expected goals were proposed for socio-economic development during the 14th Five-Year Plan period (2021 - 2025):

- Initial establishment of the policy system of free trade port;
- Achievement of high-quality development of economy;
- Effectiveness of innovation-driven development;
- Significant improvement of social civilisation;
- More coordinated development between urban and rural regions;
- Establishment of Hainan model of ecological civilisation;
- Significant improvement of people's living standards; and
- Continuing improvement of social governance effectiveness.

Key Economic Strategies

The 14th Five-Year Plan of Hainan points out that the 14th Five-Year Plan period is a critical five-year period for Hainan to build a high-quality and high-standard free trade port with Chinese characteristics, and to implement the key tasks and gain preliminary results. It is necessary to implement the major strategies of the Communist Party and the country, accurately grasp the changes in the internal and external development environment, emancipate the mind, dare to make breakthroughs, innovate boldly, strive to create a vivid example of socialism with Chinese characteristics, and write a new chapter of beautiful Hainan in China.

- *To promote an upgrade of consumption:*
 - (1) *Attracting high-end consumption back to the country.* In terms of tax-free shopping, Hainan aims to systematically plan and arrange new duty-free stores, create a moderate competitive environment, strive to achieve “three synchronisations” of duty-free brands, varieties and prices with international market, and form three types of duty-free shopping, namely duty-free consumer goods, departure tax refund and offshore duty-free shopping.

- (2) Intensively cultivating new types of consumption. Hainan plans to establish and improve the public service platform of “internet + service” and cross-border e-commerce and promote the deep integration of online and offline consumption. Hainan plans to methodically develop online education, Internet health care services, online entertainment, smart tourism, and intelligent sports.
 - (3) Enhancing traditional consumption. Hainan plans to promote the transformation and upgrade of automobile consumption, promote the management transformation of consumer goods such as automobiles from purchase management to use management, and implement preferential policies on purchase tax for new energy vehicles and related support policies.
 - (4) Enhancing the suitability of the supply system. Hainan aims to deepen supply-side structural reform. It plans to improve supply to adapt, lead and create new demands.
- *To actively expand effective investment:*
 - (1) Optimising the investment structure. Hainan plans to leverage on investment as a crucial means to optimise the supply structure, aiming to make up for the shortcomings in sectors such as agriculture and rural areas, urban construction, society and livelihood, ecological and environmental protection.
 - (2) Innovating investment and financing system. Hainan plans to give full play to the role of open and policy-based finance and commercial financial institutions, establish multi-level financing channels, and improve the mechanism for distributing the interests of different investment entities.
 - (3) Improving the working mechanism of investment. Hainan plans to implement the three-year action plan of the New Deal for Free Trade Port Investment. It plans to establish investment responsibility mechanism and continue to improve the “three-service mechanism”, which is service enterprise, service projects and service grassroots. Hainan aims to establish the whole chain of service mechanism to track and serve each project from its preliminary stage, signing, commencement, to the construction, production, and reaching target production results.
 - *To develop high-level export-oriented economy:*
 - (1) Developing different types of trade in goods with “zero tariffs” as the main focus. Hainan plans to take advantage of the “zero tariffs” policy on value-added processing and raw and auxiliary materials to develop trade of special consumer goods and industrial products.
 - (2) Accelerating the innovative development of trade in services. Hainan plans to reduce restrictions on cross-border trade in services, strengthen the foundation for the development of modern service industries, and focus on promoting innovative development in areas such as international tourism, international exhibitions, cross-border settlement, cross-border data processing, medical and health care, and new international offshore trading.
 - (3) Promoting the quantity and quality of foreign investment. Hainan plans to strive for further relaxation of foreign investment access restrictions to achieve a steady increase in the scale of foreign investment.
 - *To promote the coordinated development of Hainan and regions with major national strategies:*
 - (1) Creating several cooperation platforms. With key industrial parks as the cooperation vehicles, Hainan plans to actively streamline the developments across regions, strengthen the connection between the industry and the market, and promote the cross-provincial arrangement and high-quality development of tourism, modern service industries and high-tech industries.

- (2) *Innovating communication and cooperation mechanism.* Hainan aims to establish and improve the mechanism of regular high-level meetings, such as promoting the establishment of a sound mechanism of regular annual high-level meetings between Hainan and Guangdong, establishing a biennial consultation mechanism with Shanghai, a quadrennial consultation mechanism with Jiangsu and Zhejiang, and a quadrennial consultation mechanism with Beijing.
- *To deeply integrate into the Belt and Road Initiative construction:*
 - (1) *Creating an international aviation and shipping hub.* Hainan aims to implement a more open policy on shipping and air transport, and abolish restrictions on offshore financing for ships and aircraft.
 - (2) *Better serving the Boao Forum for Asia.* Hainan plans to accelerate the improvement of conference and exhibition facilities in the core area of Boao and comprehensively improve the quality of services. It aims to build and upgrade brand awareness of the Boao Forum for Asia and thus better serving China's overall diplomacy.
 - (3) *Promoting cooperation in key areas.* Hainan actively participates in the Belt and Road Initiative International Cooperation Summit Forum. It promotes two-way cooperation among countries and regions along the Belt and Road Initiative area, focusing on deepening cooperation in the fields of Nanfan, deep sea, aerospace, port and navigation, trade, finance, education, science and technology, culture, recreation and health, innovation and entrepreneurship.

Main Economic Indicators

According to the consolidated accounts of National Bureau of Statistics, the GDP of Hainan in 2021 was RMB647.52 billion. Hainan's GDP at constant prices represented an increase of 11.2% over the same period in 2020. Among others, the value added of the primary industry was RMB125.44 billion, representing an increase of 3.9%; the value added of the secondary industry was RMB123.88 billion, representing an increase of 6.0%; the value added of tertiary industry is RMB398.2 billion, representing an increase of 15.3%. The structure of the three industries is adjusted to 19.4:19.1:61.5. The per capita GDP is expected to be RMB63,707 in 2021, representing an increase of 9.8% over the previous year.

The following table sets forth some of the major economic indicators in Hainan for 2017-2021.

Major Economic Indicators for 2017-2021⁽¹⁾

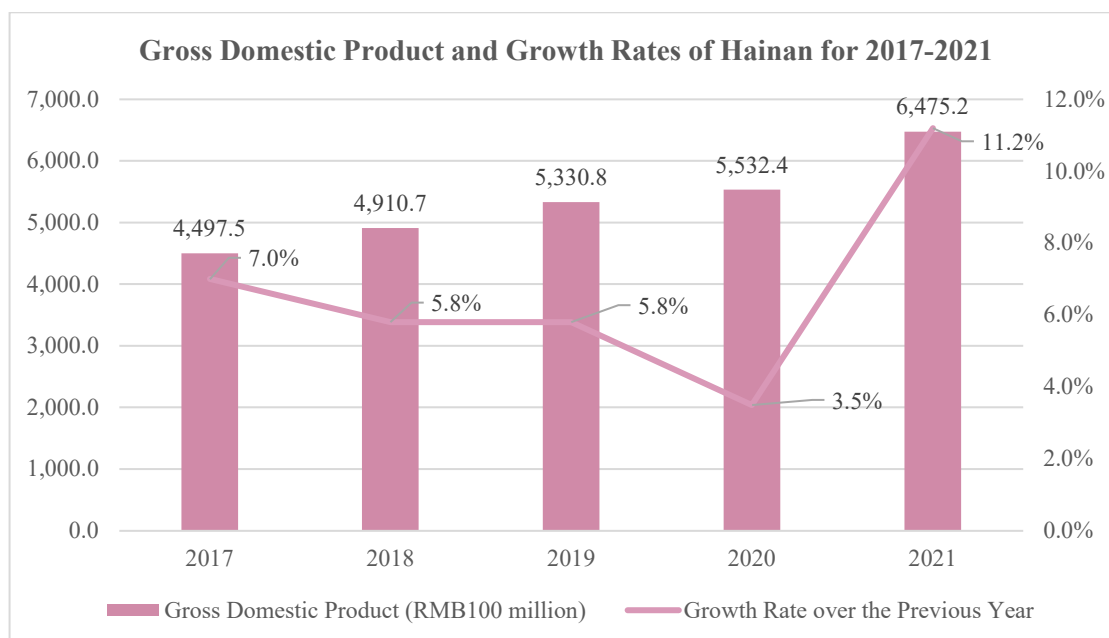
	2017	2018	2019	2020	2021
GDP (RMB in 100 million)	4,497.5	4,910.7	5,330.8	5,532.4	6,475.2
Total exports (RMB in 100 million)	295.7	297.8	343.7	277.0	332.6
Total imports (RMB in 100 million)	407.1	550.4	562.2	658.1	1,144.2
Total value of imports and exports (RMB in 100 million)	702.7	848.2	905.9	935.1	1,476.8
Consumer price Index (preceding year = 100)	102.8	102.5	103.4	102.3	100.3
Industrial producer price index (preceding year =100)	108.8	108.2	97.4	93.8	113.5

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics

The following table sets forth the GDP and growth rate of Hainan for 2017-2021.



Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbook 2021, Statistical Communique of Hainan on the National Economic and Social Development 2021, Hainan Provincial Bureau of Statistics

Three Strata of Industries

The table below sets forth the value added of the three strata of industries¹ in Hainan for 2017-2021.

¹ China's three strata industries means the following industries: the primary industry refers to agriculture, forestry, animal husbandry and fishery (excluding agriculture, forestry, animal husbandry and fishery services in agriculture, forestry, animal husbandry and fishery); the secondary industry refers to mining (excluding auxiliary activities in mining), manufacturing (excluding metal products, machinery and equipment repair in manufacturing), electricity, heat, gas and water production and supply, construction; the tertiary industry, namely the service industry, refers to other industries except for the primary and secondary industries, including wholesale and retail, transportation, warehousing and postal services, accommodation and catering, information transmission, software and information technology services, finance, real estate, leasing and business services, scientific research and technical services, water conservancy, environment and public facilities management, resident services, repair and other services, education, health and social work, culture, sports and entertainment, public administration, social security and social organisations, international organisations, as well as agriculture, forestry, animal husbandry and fishery services in agriculture, forestry, animal husbandry and fishery, auxiliary activities in mining industry, and metal products, machinery and equipment repair in manufacturing.

Value Added of the Three Strata of Industries in Hainan for 2017-2021⁽¹⁾

	2017	2018	2019	2020	2021
Value added of primary industry (In RMB100 million).....	962.8	986.0	1,079.0	1,136.0	1,254.4
Value added of secondary industry (In RMB100 million).....	996.4	1,053.1	1,083.8	1,055.3	1,238.8
Value added of the tertiary industry (In RMB100 million).....	2,538.4	2,871.6	3,168.1	3,341.2	3,982.0

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Hainan Statistical Monthly Report (December 2021).

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics

In 2021, the proportions of industry and service industry value added in Hainan's GDP grew by 0.6 percentage point and 1.2 percentage points over 2020, respectively, indicating the continuous transformation and upgrade of Hainan's industrial structure. In 2021, the proportion of investment in non-real estate development in the total investment in Hainan increased by 2.6%. The proportion of industrial investment (excluding real estate investment) increased by 5.2%. The proportion of investment in manufacturing increased by 2.9%. The investment structure in Hainan has been to continuously to optimise and play a greater role in supply improvement.

In 2021, the value-added of four leading industries, namely, tourism industry, modern services industry, high-tech industry and efficient tropical agriculture industry, accounted for 70.0%, increasing by 5 percentage points over the previous year, and their tax contribution grew by 33.4%. In 2021, 12 new science and innovation platforms were established across the Nanfan, the deep-sea technology industry and the aerospace industry. The China National Seed Group Co., Ltd. established its headquarters in Hainan. Yazhou Bay Technology City became a centre for research institutes and business entities in the seed industry in China. China's deep-sea manned submersible Fendouzhe (Striver) completed 21 immersions at a depth of 10,000 metres. Loans to SMEs that feature specialisation, refinement, uniqueness and innovation increased by 66.9%. Research and development input grew faster than other parts of the country. In 2021, the number of advanced technology enterprises in Hainan exceeded 1,200. Investment in high-tech industries grew by 36.6%, which was 26.4 percentage points higher than the overall investment growth rate, enhancing the innovation-driven effect. The value added of water transport, information transmission, software and information technology, and leasing and business services realised double-digit growth in 2021, and the new economy and new business forms extensively developed.

Tourism has been key to Hainan's development. In 2021, tourists to Hainan reached 81.004 million, representing an increase of 25.5% over the previous year. Among them, 57.831 million were overnight tourists, representing an increase of 6.0% over the previous year. Total tourism revenue in 2021 was RMB13.843 billion, representing an increase of 58.6% over the previous year. As at the end of 2021, there were six 5A tourist attractions and 28 4A tourist attractions in Hainan. In terms of tourism infrastructure, Haikou Meilan International Airport and Sanya Phoenix International Airport have a large number of international and domestic air routes, and the round-island high-speed railway is also in operation. As at 30 September 2021, Hainan had a total of 114 listed star-level hotels, including 20 five-star hotels and 41 four-star hotels. The abundant tourism resources and the comprehensive tourism infrastructure have contributed to the rapid development of the

tourism in Hainan. Hainan has a high intensity in tourism resources. Tourism projects in Hainan are diversified and tourists tend to stay longer during their visits, which have contributed the development of catering, lodging, wholesale and retail industries. In 2021, to promote Hainan as an international tourism consumption centre, it has been comprehensively promoting high-quality development of tourism, and the tourism in Hainan has essentially resumed its positive development trend before the pandemic.

Price Index

In 2021, the consumer price increased by 0.3% over 2020, the industrial producer price increased by 13.5% over 2020, and the industrial purchasing price increased by 16.5% over 2020.

The following table sets forth the various price index for 2017-2021.

Various Price Index for 2017-2021⁽¹⁾

	2017	2018	2019	2020	2021
Consumer price index (preceding year = 100).....	102.8	102.5	103.4	102.3	100.3
Producer price index for industrial products (preceding year = 100).....	108.8	108.2	97.4	93.8	113.5
Purchasing price index for industrial producers (preceding year = 100).....	112.4	110.8	103.1	92.0	116.5

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics

Investment in Fixed Assets

In 2021, investment in fixed assets in Hainan increased by 10.2% over 2020. In terms of industry, investment in primary industry increased by 4.4%, investment in secondary industry increased by 15.2% and investment in tertiary industry increased by 9.6%.

The table below sets forth the growth rate of investment in fixed assets in Hainan for 2017-2021.

Growth Rate of Investment in Fixed Assets for 2017-2021⁽¹⁾

	2017	2018	2019	2020	2021
Growth rate of investment in fixed assets (%).	10.1	(12.5)	(9.2)	8.0	10.2

Notes:

- (1) Data of 2017 is from Hainan Economic Operation Statistical Results 2017, data of 2018 to 2020 is from Hainan Statistical Yearbook 2019-2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbooks 2019-2021, Hainan Provincial Bureau of Statistics

Population

According to the results of the Seventh National Population Census, the permanent population of 19 cities and counties in Hainan was 10,081,232. Compared with the result of 8,671,485 in the Sixth National Population Census, the permanent population in Hainan increased by 1,409,747, or 16.3%, with an average annual growth rate of 1.5%.

Among the permanent population of Hainan, 5,345,081, or 53.0%, were male, and 4,736,151, or 47.0%, were female. The gender ratio of the total population (number of males per 100 females) was 112.86.

Among the permanent population of Hainan, 2,013,725, or 20.0%, were 0-14 years of age; 6,590,908, or 65.4%, were 15-59 years of age; 1,476,599, or 14.65%, were 60 years old or older; and 1,051,500, or 10.4%, were 65 years old or older.

Among the permanent population of Hainan, 1,403,194 had university level (including junior college and above) education, 1,568,761 had high school level (including technical secondary school) education, 4,050,000 had junior high school education, and 1,986,102 had primary education (each above mentioned category includes students graduated from, dropped out or enrolled in all schools of the corresponding level). Compared with the results of the Sixth National Census in 2010, the number of people with a university education per 100,000 people rose from 7,728 to 13,919; those with a high school education rose from 14,857 to 15,561. The educational level of the population in Hainan has been greatly improved.

Employment and Wages

In 2021, the average annual salary of employees in urban non-private sector in Hainan was RMB97,471, representing an increase of RMB10,862, a nominal increase of 12.5% and an actual increase of 12.2% after eliminating the effect of price change, respectively, over 2020. In particular, the average annual salary of on-the-job employees was RMB101,090, representing a nominal increase of 12.8% and an actual increase of 12.4% after eliminating the effect of price change, respectively, over 2020.

The following table sets forth the urban unemployment rate in Hainan for 2017-2021:

Urban Unemployment Rate for 2017-2021

	2017	2018	2019	2020	2021
Urban unemployment rate (%).....	2.3	2.3	2.3	2.8	3.1

Source: Statistical Communique of Hainan on the National Economic and Social Development 2017-2021, Hainan Provincial Bureau of Statistics

Residents' Income

In 2021, per capita disposable income of urban and rural residents in Hainan was RMB30,457 with a nominal increase of 9.1% over 2020. Per capita consumption expenditure of urban and rural residents was RMB22,242 with an increase of 17.2% over 2020. The Engel coefficient of urban and rural residents dropped to 36.9% in 2021 where it was 2.7 percentage points higher in 2020.

The following table sets forth the disposable income of urban and rural residents in Hainan for 2017-2021:

The Disposable Income of Urban and Rural Residents in Hainan for 2017-2021⁽¹⁾

	2017	2018	2019	2020	2021
Per capita disposable income (RMB).....	22,553	24,579	26,679	27,904	30,457

	2017	2018	2019	2020	2021
Per capita disposable income of residents increase (%) over the preceding year.....	9.2	9.0	8.5	4.6	9.1

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics

Rural Revitalisation

During the 13th Five-Year Plan (2016 - 2020), Hainan completed its task of poverty elimination in all aspects, having invested an aggregated amount of RMB17.17 billion to promote its work of poverty elimination. During the same period, 152,000 filed and registered poor households and 650,000 people in Hainan were lifted out of poverty; all 600 “poverty-stricken” villages (including 67 “deep poverty-stricken” villages) and five “poverty-stricken” counties (including one “deep poverty-stricken” county) were lifted out of poverty, and per capita income of the poor increased from RMB4,448.3 to over RMB12,733.0. According to the Implementation Opinions of Hainan Provincial Committee of the Communist Party of China and Hainan People’s Government on Promoting All-Round Rural Revitalisation and Accelerating Agricultural and Rural Modernisation, Hainan should place the work on the agriculture, the rural areas and peasants in a prominent position in Hainan’s furthering all-round reform and opening-up as well as the construction of Hainan FTP, so as to promote rural revitalisation, consolidate and expand the victory of poverty elimination and accelerate agricultural and rural modernisation. On 27 May 2021, the Rural Promotion Bureau of Hainan Province was established, signalling that Hainan entered a new stage from poverty elimination work to comprehensively implementing the rural revitalisation strategies. Hainan has made remarkable achievement in promoting industrial employment assistance. In 2021, 292,000 people lifted out of poverty in Hainan were employed outside the poverty-stricken areas, representing an increase of 4.1% year-on-year. In 2021, the net per capita income of the households lifted out of poverty in Hainan reached RMB15,850.6, representing an increase of 24.0% year-on-year, which ranked first in central and western provinces in China. Hainan also consolidated its resources and helped those most in need through the provincial-wide poverty elimination inspection and assistance.

Foreign Investment

In 2021, the amount of actual utilisation of foreign investment in Hainan was US\$3.52 billion. The amount of direct foreign investment actually used by modern service industry was US\$3.32 billion, rising from 15.0% of overall direct foreign investment actually used in 2018 to 96% in 2021. The amount of direct foreign investment spent on manufacturing was US\$37.86 million, representing an increase of 259.5% over 2020.

The table below sets forth the direct foreign investments in Hainan for 2017-2021.

Direct Foreign Investments in Hainan for 2017-2021⁽¹⁾

	2017	2018	2019	2020	2021
Number of contracts of foreign-investment projects (unit).....	90	167	338	1,005	1,936
Amount of actual utilisation of foreign investment (US\$10,000).....	230,598	81,876	152,020	303,324	351,927

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Hainan Statistical Monthly Report (December 2021).

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics

Marine Economy

Hainan is a major maritime province in China with an authorised sea area accounting for about two-thirds of China's sea area and a total coastline length of 1,944 kilometres and 68 harbours of various sizes. Hainan has special significance in China's "strong maritime nation" strategy. The Central Government has required Hainan to intensively develop the maritime economy, especially the deep-sea sector. Hainan is an important fulcrum of the Silk Road of the Sea and plays a major role in the construction of the Belt and Road Initiative and the strategy of "strong maritime nation". Hainan is the only province authorised by the Standing Committee of NPC to have jurisdiction over the sea area, and the only province in China to have the legislative power of the special economic zone, for which Hainan has clear policy advantages in the development of the South China Sea.

With the implementation of strong maritime nation strategy, the importance of the maritime economy in the industrial economy development of Hainan has become increasingly prominent. During the 13th Five-Year Plan (2016 - 2020), Hainan's total marine-related GDP had increased from RMB100.5 billion to RMB153.6 billion, representing an annual growth rate of 8.9%. In 2020, the marine economy accounted for 27.8% of Hainan's GDP. During the period of the 13th Five-Year Plan, Hainan had achieved strong developments in the marine tourism industry, the marine oil and gas industry, the marine shipping logistics industry and the marine fishery industry.

By 2025, Hainan will further implement the strategy of strong maritime province, continue to develop itself into a "major province of marine economy", build a modern and leading marine industrial system in China and strive to form the following spatial layout for the blue economy:

- *Optimisation of coastal marine industry layout.* Hainan is committed to building two growth poles of marine economy, including the growth pole of modern marine service industries in the northern Hainan and the growth pole of marine tourism and high-tech industries in the southern Hainan, and enhancing the development of the marine economy on the so-called two wings of Hainan, including the port-adjacent green industrial development zone in the western Hainan and the high-quality marine ecological economic development zone in the eastern Hainan.
- *Enhancement of protection, development and cooperation in deep and distant seas.* Aiming at enhancing the capability of "deep-sea access, deep-sea exploration and deep-sea development", Hainan strives to further strengthen deep-sea development and cooperation, strengthen the exploration of natural resources of island reefs, carry out comprehensive improvement of the ecological environment of island reefs and construct ecological island reefs.

Ecological Environment Governance

Hainan adheres to ecological development with the commitment to only improve the ecological environment, never exacerbates, striving to construct a green and low-carbon free trade port with first-class ecological conditions. Hainan has taken the lead in China in the reform of the integrated provincial planning that consolidates separate provincial plans into one single plan. Hainan has set up an ecological security discourse consists of "One Heart" (which signifies the tropical rainforest national park), "One Link" (which symbolises the ecological shoreline and sea areas around the island), "Three Rivers" (which represents the water streaming

from Nandu River, Wanquan River and Changhua River) and “Multi-corridor” (which embodies the 13 ecological corridors that connect the mountains and the sea). Hainan has also basically established a system of nature reserves with tropical rainforest national parks as the core. Hainan has taken the lead in drawing the redlines for ecological conservation and advancing the reform on the “Three Lines and One List” which basically refers to the redlines for ecological conservation, bottom line of environmental quality, upper line for resource utilisation and the list of ecological environment access, thereby establishing a control system for the ecological environment by zones.

Hainan has systematically planned landmark projects in the national pilot zone for ecological conservation, including tropical forest national park, clean energy island, promotion of clean energy vehicles, “ban of single-use plastics” and construction of prefabricated buildings. Hainan intensively promoted pilot programme of National Park of Hainan Tropical Rainforest, established Management Office of the National Park of Hainan Tropical Rainforest and took the lead in exploring and establishing a vertical administration system for the national park. Hainan hosted World New Energy Vehicle Congress for two consecutive years and was the first in China to propose a “complete ban on the sale of fuel vehicles”, leading and driving green investment and consumption. Hainan established an end-to-end closed-loop management system of “regulations + standards + directories + alternative products + traceability” for the regulation of “ban of single-use plastics” implemented on 1 December 2020. As at the end of 2021, a total of 4,352 cases was filed for “ban of single-use plastics” with a fine of RMB7.52 million imposed and the value of articles involved in such cases exceeded RMB2.0 million. Hainan actively promoted the application of prefabricated buildings and the area of prefabricated buildings doubled for three consecutive years. Nine institutional innovation and reform measures, including “ban of single-use plastics” and “rural sewage treatment”, have been promoted around the country.

In 2021, the overall air quality in Hainan was at a good level, of which the percentage of days with good air quality in Hainan reached 99.4%. The average annual concentration of fine particulate matter (PM_{2.5}) was 13 micrograms per cubic metre, the lowest level for two consecutive years in the history of monitoring. The water quality for the surface water and the nearshore water maintained at a good level, and the rates of good water quality reached 92.2% and 99.8%, respectively. The overall soil environmental quality of Hainan maintained at a good level and the safe utilisation rate of contaminated cultivated areas reached 90% of the target set by the country.

The table below sets forth the imports and exports of Hainan's foreign trade with key countries and regions for the years 2017-2021.

The Geographical Distribution of Foreign Trade

	2017		2018		2019		2020		2021	
	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>	<i>Exports</i>	<i>Imports</i>
	<i>(In RMB100 million)</i>									
Imports and Exports with Key Countries and Regions										
Hong Kong, China	29.7	8.0	38.6	7.3	28.6	9.3	17.5	12.7	30.6	17.5
United States	17.4	112.1	16.7	180.4	27.2	122.6	23.1	63.4	32.9	94.8
Japan	14.2	8.0	12.7	9.1	9.4	23.4	7.2	56.0	4.8	72.6
Australia	13.9	9.3	14.2	14.8	34.4	33.4	14.9	47.2	10.1	201.6
European Union ⁽¹⁾	21.9	60.9	17.4	120.1	26.6	107.6	22.0	132.9	39.7	176.3
Association of Southeast Asian Nations.....	122.9	91.9	104.1	95.2	150.3	127.4	114.2	122.4	87.5	161.7

Note:

- (1) There were 28 European Union countries from 2017 to 2019, and 27 European Union countries from 2020 to 2021 (excluding the United Kingdom).

Source: General Administration of Customs, People's Republic of China

FINANCIAL SYSTEM OF HAINAN

Banking Industry

As at the end of December 2021, the banking industry in Hainan had total assets of RMB1,502.9 billion, representing an increase of 7.1% year-on-year. As at the end of 2021, Hainan's balance of deposits was RMB1,133.9 billion, representing an increase of 10% year-on-year. The rate of growth was 4.1% higher than the balance of deposits growth rate in 2020. As at the end of 2021, the balance of loans was RMB1,060.7 billion, representing an increase of 6.3% year-on-year. In 2021, to promote finance industry to better serve the construction of Hainan FTP, Hainan established a new "Five in One" financial development framework, including park finance, inclusive finance, cross-border finance, green finance and science innovation finance, and boosted financial support for "stabilising enterprises" and "securing employment". In 2021, the actual Renminbi cross-border payment of Hainan's financial institutions of the banking industry reached RMB55.86 billion, including RMB24.94 billion for current account and RMB30.92 billion for capital account, representing an increase of 50%, 156% and 12.4%, respectively, year-on-year. In 2021, 93 countries or regions had Renminbi cross-border payment activities with Hainan, and the number of enterprises conducted Renminbi cross-border business with financial institutions of the banking industry in Hainan increased by 521 compared to the previous year.

Securities Industry

- *The securities and futures trading volume increased, and the operating efficiency of legal person securities and futures institutions improved.* As at 31 December 2021, there were two securities companies, 41 securities branches, 51 securities sales offices, two legal person futures companies, five futures company branches and nine futures sales offices in Hainan. The securities market transaction amount of listed companies in Hainan recognised an increase of 95.6% year-on-year while the futures institutions agency transaction amount increased by 33.1% year-on-year.
- *The amount of capital market participants continued to increase, which contributed to the development of real economy.* As at 31 December 2021, there were two new listed companies in Hainan. The total share capital and the total market value of 34 domestic listed companies in Hainan recognised an increase of 50.4% and 54.7%, respectively, year-on-year. In 2021, enterprises in Hainan directly financed RMB13.53 billion in the capital market. As at 31 December 2021, there were 287 private equity fund management companies in Hainan, representing an increase of 310% year-on-year and the total assets under management ("AUM") increased by 319% compared to the previous year.

Insurance Industry and Social Financing

- *The strength of the insurance industry continued to enhance, and the assets size further enlarged.* As at 31 December 2021, there were two legal person insurance companies and 296 insurance company branches. The total assets of insurance companies and the revenues generated from premium recognised an increase of 8.4% and 5.5%, respectively, year-on-year. The claims of insurance companies recognised an increase of 15.3% year-on-year. In 2021, the total risk security funds provided by the insurance industry in Hainan reached RMB31 trillion, representing an increase of 12.4% year-on-year.
- *The size of social financing continues to increase.* In 2021, the scale of Hainan's new social financing increased by RMB114.1 billion, representing an increase of RMB17.1 billion from 2020 and an increase of 17.6% year-on-year. Among them, indirect financing increased by RMB71.1 billion, representing an increase of 32% year-on-year, accounting for 62% of the total social financing, which was increased by 6.6% year-on-year. In 2021, Hainan's Renminbi loans increased by RMB69.1 billion, which was the key factor boosting the increase of social financing.

Hainan FTP Finance

In 2021, People's Bank of China ("PBOC"), China Banking and Insurance Regulatory Commission ("CBIRC"), China Securities Regulatory Commission ("CSRC") and State Administration of Foreign Exchange of the PRC ("SAFE") jointly issued the Guidelines on Financial Support for Hainan to Comprehensively Deepen Reform and Opening-up (the "**Guidelines on Financial Support**"). The Guidelines on Financial Support aims to promote the establishment of financial policies and system framework aligned with Hainan FTP, to support the innovative cross-border financial products and services in Hainan, and to improve the liberalisation and facilitation of trade investment. Haikou branch of PBOC led the establishment of the Implementation Rules of Opinion on Financial Support for Hainan's Furthering All-round Reform and Opening-up (the "**Implementation Rules**") and proposed 89 specific policy measures. The preliminary "Three in One" short to medium term financial policy framework is established with the Overall Plan at national level, the Guidelines on Financial Support at ministerial level, and the Implementation Rules at provincial level, which will further provide policy benefits.

- *The facilitation of trade settlement further increased.* In 2021, the facilitation pilot banks and enterprises were expanding, with the number of pilot banks increasing from one to three, and the number of pilot enterprises increasing from five to 16. Settlement businesses with Renminbi in goods and services trades continued to increase. The number of premium enterprises that enjoyed facilitation measures of Renminbi cross-border settlement increased from 43 to 53.
- *Multiple cross-border investment and financing facilitation measures were implemented.* Firstly, pilot businesses of Qualified Foreign Limited Partner ("QFLP") and Qualified Domestic Limited Partner ("QDLP") steadily developed. Secondly, the scope of credit assets and participating institutions that are eligible to cross-border transfer was expanding.
- *The opening-up ability of the financial industry significantly improved.* Multiple branches of national commercial banks obtained formal authorisation from their head offices on offshore banking business or provided clients with offshore services through cooperation with the offshore centres of their head offices.
- *The functions of financial infrastructure facilities continued to improve.* Firstly, the free trade accounts business significantly improved. In 2021, the income and expenditure of the free trade accounts reached RMB155.76 million, representing an increase of 210% year-on-year. Secondly, the scope of pilot cross-border financial blockchain service platform expanded. As at 31 December 2021, four application scenarios were opened, including export account receivables financing, cross-border credit information authorisation verification of enterprises, authentication verification of the facilitation of the income and payment of capital account as well as electronic banking verification of services trade tax filing, among which, 16 banking institutions were able to apply export account receivables financing (with two banking institutions being added to that list in 2021). These banking institutions conducted 280 financing transactions for six foreign related enterprises, with a total financing amount of US\$38.372 million.

PUBLIC FINANCE OF HAINAN

Department of Finance of Hainan Province

The primary responsibilities of Department of Finance of Hainan Province include:

- the formulation and organisation of the implementation of fiscal and taxation development strategies, plans, policies and reform programmes in Hainan Province; analysing and forecasting its fiscal position; participating in the formulation of macroeconomic policies; putting forward suggestions on using fiscal and taxation policies to implement macroeconomic controls and comprehensively balancing Hainan's provincial financial resources; proposing fiscal and taxation policy measures and opinions on the construction of free trade zone with Chinese characteristics and Hainan FTP; formulating the distribution policies among Hainan Province, the provincial cities and counties, the local governments and enterprises; implementing fiscal and taxation policies that carry forward the development of public welfare undertakings.
- the implementation of laws and regulations on finance and accounting management; drafting and supervising the implementation of local regulations and government regulations on finance and accounting management in Hainan Province; being responsible for the international negotiation of foreign finance and debt on behalf of Hainan Province based on authorisation empowered; carrying out international exchanges and cooperation in finance and taxation.
- being responsible for the management of provincial-level financial revenues and expenditures of Hainan Province; organising the preparation of the budget and final accounts of the provincial-level departments in Hainan Province; compiling the draft budget, final accounts and budget adjustment of the Hainan People's Government; compiling the draft budget and final accounts of Hainan Province; organising the formulation of expenditure standards and quotas; reviewing and approving the departments' annual budgets and final accounts; reporting the financial budget, implementation of financial budget and final accounts to Hainan PC and the Standing Committee of Hainan PC as entrusted by the Hainan People's Government; being responsible for the disclosure of financial budget and final accounts of the Hainan People's Government.
- being responsible for organising the drafting of local tax regulations, drafting of provincial government rules and implementation measures; implementing national tax laws and regulations; guiding and supervising the implementation of tax policies.
- being responsible for government non-tax revenue management based on division of work; being responsible for the management of government funds; managing administrative charges in accordance with relevant regulations; managing financial bills; formulating lottery management policies and related measures; supervising the lottery industry of Hainan Province; managing lottery funds in accordance with relevant regulations.
- organising the implementation of the fiscal treasury management system and the centralised treasury collection and payment system; managing the fiscal fund accounts and accounts of budget of entities at the provincial level in accordance with relevant regulations; being responsible for treasury cash management; organising the preparation of accrual-based government consolidated financial reports; being responsible for formulating government procurement system and supervising management of the procurement system; being responsible for the research on the opening of the government procurement market.
- formulating management systems and measures for government debts and government implicit debts in Hainan Province in accordance with the relevant laws; mitigating government debt and government

implicit debt risks; promoting the use of public-private partnership models in the field of public services; issuing and repaying local government bonds; undertaking the work relating to the management of the government's foreign loans.

- taking the lead in compiling the report on the management of state-owned assets in Hainan Province; centrally and uniformly performing the duties of local state-owned financial capital contributors based on authorisation empowered by the Hainan People's Government; taking the lead in implementing the state-owned financial capital management rules and regulations; formulating state-owned asset management rules and regulations for administrative and public institution and organising the implementation of corresponding rules and regulations; organising the implementation of nationally uniformly stipulated expenditure standards and policies.
- formulating and organising the implementation of the state-owned capital management system and measures in Hainan Province; being responsible for reviewing and compiling drafts of the state-owned capital operation budget and final accounts in Hainan Province; formulating the state-owned capital operation budget management system; undertaking the collection and expenditure of state-owned capital income of provincial-level enterprises in Hainan Province; organising the implementation of corporate financial systems.
- taking the lead in reviewing and compiling draft budgets and final accounts of social insurance funds in Hainan Province; formulating relevant funds financial management systems in conjunction with departments concerned; undertaking the financial supervision of social insurance funds.
- being responsible for handling and supervising the provincial-level economic development expenditures and financial allocation of government investment projects in Hainan Province; participating in the formulation of relevant policies for infrastructure investment in Hainan Province; formulating the infrastructure financial management systems.
- being responsible for managing the accounting work in Hainan Province; supervising and standardising the accounting behaviours; organising the implementation of the national unified accounting system; guiding and supervising the business of certified public accountants and accounting firms; guiding and managing social auditing; managing the work relating to asset appraisal according to the laws.
- being responsible for the implementation of fiscal and taxation regulations and policies, and the supervision of budget management in Hainan Province; being responsible for the construction and management of financial internal control; formulating budget performance management systems and norms; taking the lead in organising the full implementation of budget performance management.
- accomplishing other tasks assigned by Hainan Provincial Committee of the Communist Party of China, the Hainan People's Government and other higher level authorities.

Implementation of Fiscal Policy

- *Improving the quality of fiscal revenue.* Hainan has been mastering the situation of fiscal revenue scientifically and orderly, organising the warehousing of fiscal revenue in accordance with laws and regulations, and preventing monthly and seasonal ups and downs. In 2021, Hainan has been optimising its industrial structure to support the development of four leading industries, industries with local unique advantages of Hainan and strategic emerging sectors of Hainan. To improve the quality of fiscal revenue, Hainan has also been cultivating high-quality tax sources and put efforts into the improvement of revenue sustainability. In 2021, Hainan's local tax revenue accounted for 80.7% of the general public budget revenue of the local government, representing an increase of 12.1 percentage points over 2020.

- *Strengthening the budget expenditure management.* Hainan has followed the proposal from organs of Communist Party of China and other government offices to conduct the fiscal policies under the guiding principle of thrift. In 2021, the non-key and non-rigid expenditure budget of Hainan Province has been reduced by RMB1.0 billion compared with that of 2020, showing a decrease of 7%. Hainan has established a regular and direct financial fund mechanism, making the separate allocation of direct funds practical. In 2021, the central and provincial direct funds allocated have been increased to RMB35.61 billion, representing a year-on-year increase of 38.3%, ensuring that the direct funds reach the grassroots level in a timely manner and directly benefit enterprises and individuals. In 2021, RMB600 million of subsidies have been granted to enterprises in Hainan, benefiting 932 enterprises, and the subsidies for individuals were RMB2.0 billion, benefiting 3.241 million individuals.
- *Promoting the fiscal and tax policies of Hainan FTP.* In 2021, Hainan implemented the policies of “two 15%” for enterprise income tax and personal income tax and three “zero tariffs” lists for raw and auxiliary materials, vehicles and yachts, and self-use production equipment in an orderly manner. In 2021, Hainan has strived to adjust and implement the “zero tariffs” policy for raw and auxiliary materials, and increase the number of listed commodities from 169 to 356, doubling the capacity of the list. Hainan has also conscientiously implemented various policies such as tax refund at the port of departure, the filling of guaranteed (refunded) fuel on the same vessel for domestic and foreign trade, and the filling of bonded aviation fuel on flights entering and leaving the island. In 2021, the influence of the offshore duty-free policy has been expanded, and the total sales of the 10 offshore duty-free stores has increased by 84%.
- *Supporting the construction of key parks, major projects and the development of key industries.* A number of financial measures have been introduced to promote the high-quality economic development in Hainan Province, focusing on solving the problems that enterprises are currently most concerned about, such as scientific and technological innovation, expanding market players and investment, financing support and optimising the development environment. In 2021, Hainan has allocated a total of RMB11.54 billion to support the construction of infrastructure including G360 Wenchang Lingao expressway, G15 Haikou expressway, Maiwan water conservancy project, Tianjiaotan water conservancy project and “five networks” infrastructure construction such as 5G network construction and operation subsidies.
- *Supporting the implementation of innovation driven and talent strategies.* In 2021, Hainan Province has allocated RMB660 million to implement the three-year action plan to stimulate the scientific and technological innovation, support the construction of Yazhou Bay seed laboratory, and optimise the scientific and technological planning system, in order to better adapt to the laws of scientific and technological activities and the new requirements for the construction of Hainan FTP.
- *Enhancing the role of financial funds in guiding and leveraging.* In 2021, Hainan Province has set up an investment fund for the construction of Hainan FTP with a scale of RMB10 billion to guide social capital to support key industries and parks and major projects in Hainan Province.
- *Supporting the comprehensive implementation of the rural revitalisation strategies.* Hainan has been continuously supporting and consolidating the achievements of poverty elimination and effectively link them with rural revitalisation. In 2021, Hainan Province allocated RMB3.36 billion for bridging subsidies (the original special poverty elimination funds), representing an increase of 3.9% over the previous year, and supported five poverty elimination counties to integrate agricultural related funds in a total of RMB1.76 billion.

- *Supporting the construction of ecological civilisation.* In 2021, Hainan Province has allocated RMB2.16 billion to support the prevention and control of air, water and soil pollution, as well as the ecological protection and restoration of land space, marine and forestry.
- *Securing and improving people's livelihood.*
 - (1) *Promoting the high-quality development of education.* In 2021, Hainan has allocated RMB6.27 billion to support the development of education at all stages, implement the student assistance policy, complete the purchase of AED automatic defibrillators for 374 junior high schools, and repair and renovate dormitories for more than 90 public primary and secondary schools in Hainan.
 - (2) *Improving the level of employment and social security.* In 2021, Hainan has allocated RMB740 million to support the stabilisation and increase of employment opportunities, representing an increase of 12.7% over the previous year. It has been used to implement various employment and entrepreneurship support policies, strengthen the implementation of the unemployment insurance return policy, and expand the coverage of unemployment insurance. In 2021, Hainan has also allocated RMB7.79 billion to improve the basic pension level of retired employees of enterprises and government-affiliated institutions and fulfil the mechanism for determining and adjusting the basic old-age insurance benefits for urban and rural residents.
 - (3) *Promoting the development of public health.* In 2021, Hainan has allocated RMB1.65 billion to ensure the demand of funds for the prevention and control of COVID-19 pandemic and support the residents in Hainan to receive free COVID-19 vaccine, and has completed vaccinations for 9.594 million individuals and 22.468 million doses, building an effective anti-epidemic barrier.
- *Continuously optimising the business environment.* In 2021, Hainan Province has fully implemented the tax and fee reduction policies, and postponed the payment of certain categories of taxes in the fourth quarter of 2021 for small and medium-sized enterprises in manufacturing industry. In 2021, Hainan Province has continued to improve the efficiency and transparency of government procurement and ranked the sixth in the national government procurement transparency evaluation. In 2021, Hainan Province has also initiated the reform of blockchain-based financial e-invoice system, allowing real-time bill-payment for various businesses with one click via internet, which was selected as one of the thirteenth batch of system innovation cases of Hainan FTP.
- *Fully launching the reform of financial budget management.* In 2021, Hainan Province has resolutely implemented the spirit of the provincial financial budget work conference, cancelled departmental budget reservation, formulated project library management procedures, and further standardised budget preparation management. In 2021, Hainan Province has also supported Hainan PC to carry out supervision according to the applicable laws and rules. Hainan Province has actively supported and cooperated with Hainan PC to carry out budget review according to the applicable laws and rules, implemented the audit opinions on budget reports, considered the suggestions and opinions raised by the delegates to Hainan PC, intensively promoted the construction of the internal control system, and strived to establish a long-term mechanism for audit rectification.

On 24 January 2022, the Fifth Session of the Sixth Hainan PC reviewed and approved the Report on the Implementation of the Hainan Budget in 2021 and the Draft Budget for the year 2022 as well as the Hainan provincial budget for the year 2022. On 31 May 2022, the Thirty-sixth Session of the Sixth Standing Committee of Hainan PC has approved the 2022 financial budget adjustment plan. On 29 September 2022, the Thirty-eighth Session of the Sixth Standing Committee of Hainan PC has approved the 2022 financial budget adjustment plan (the second time).

Public Budgets

General public budget

In 2021, the general public budget revenue of the local government of Hainan was RMB92.12 billion, representing a year-on-year increase of 12.9%. Adding in revenues including subsidy from the Central Government, revenue from local government bonds and transferred budget stability and regulation fund, the total general public budget revenue of Hainan in 2021 was RMB266.53 billion. In 2021, the general public budget expenditure of the local government of Hainan was RMB198.28 billion, representing a year-on-year increase of 0.5%. Adding in other expenditures, the total general public budget expenditure of Hainan in 2021 was RMB266.53 billion.

In recent years, benefiting from the increasing support from the Central Government, as the main source of fiscal revenue of Hainan Province, Hainan's subsidy from the Central Government has maintained a stable growth. In order to improve the integrity of the budget and accelerate the progress of expenditure, in 2020 and 2021, the Central Government released in advance RMB6.5 billion and RMB10.0 billion of subsidy for Hainan Province to support Hainan's comprehensive deepening of reform and opening up in 2021 and 2022, respectively.

The following table sets forth the breakdown of revenue and expenditure of the Hainan People's Government for 2017-2021.

Hainan General Public Budget Revenue and Expenditure⁽¹⁾

	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Total general public budget revenue	1,966.3	2,232.5	2,276.7	2,474.7	2,665.3
Mainly including:					
General public budget revenue of the local government					
Tax revenue	543.6	628.7	653.2	559.8	742.9
Non-tax revenue.....	130.5	124.0	160.9	256.2	178.2
Total	674.1	752.7	814.1	816.1	921.2
Subsidy from the Central Government ...	701.6	830.5	905.4	999.5	1,013.2
Revenue from local government bonds	336.7	323.9	207.5	268.7	321.4
Transferred budget stability and regulation fund	121.1	215.1	177.5	228.9	309.0
Total general public budget expenditure	1,966.3	2,232.5	2,276.7	2,474.7	2,665.3
Including:					
General public budget expenditure of the local government	1,444.0	1,691.3	1,858.6	1,972.5	1,982.8

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics, Statistical Communique of Hainan on the National Economic and Social Development 2021, Department of Finance of Hainan Province

General public budget revenue

General public budget revenue refers to the revenue obtained by the state finance from participating in the distribution of social products, and is the funding source for the realisation of state functions. It mainly includes various tax revenue and non-tax revenue.

The total fiscal revenue of Hainan Province is mainly composed of general public budget revenue of the local government, subsidy from the Central Government, revenue from local government bonds and transferred budget stability and regulation fund. It is the direct source of local government debt repayment funds. From 2017 to 2020, the total general public budget revenue of Hainan Province was RMB196.63 billion, RMB223.25 billion, RMB227.67 billion, RMB247.47 billion and RMB266.53 billion respectively, showing growth year by year.

Tax revenue

Hainan's general public budget revenue of the local government has kept growing, of which tax revenue accounts for a relatively high proportion. In 2021, with the stimulation of Hainan FTP policies, the inflow of enterprises and talents into Hainan Province has increased significantly, and with the recovery of economic growth, the tax revenue of Hainan Province has also increased substantially. From 2017 to 2021, the proportion of tax revenue in Hainan Province to the general public budget revenue of the local government were 80.6%, 83.5%, 80.2%, 68.6% and 80.7%, respectively, and the proportion of tax revenue has maintained at a relatively high level. With the improvement of infrastructure and functional facilities in the top ten parks, the establishment of headquarters enterprises and the continuous development of service trade, Hainan Province has formed a stable tax source structure.

The table below shows the breakdown of tax revenue of Hainan for 2017-2021.

	Tax Revenue⁽²⁾				
	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Value-added tax	200.0	198.4	193.7	179.6	216.6
Business tax ⁽¹⁾	1.31	1.29	N/A	N/A	N/A
Enterprise income tax	83.5	119.4	106.8	92.6	127.3
Land appreciation tax.....	98.7	133.8	172.4	134.6	165.9
Total tax revenue	<u>543.6</u>	<u>628.7</u>	<u>653.2</u>	<u>559.8</u>	<u>742.9</u>

Notes:

- (1) Since 1 May 2016, the reform of value-added tax in lieu of business tax was rolled out nationwide and extended to all sectors. As a result, all business tax taxpayers now have to pay value-added tax instead of business tax.
- (2) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics, Statistical Communique of Hainan on the National Economic and Social Development 2021, Department of Finance of Hainan Province

General public budget expenditure

In the first half of 2022, Hainan's general public budget expenditure of the local government was RMB103.67 billion, showing an increase of 9.2% over the same period in 2021.

The following table sets forth the breakdown of the general public budget expenditure of the local government in Hainan for 2017-2021.

General Public Budget Expenditures⁽¹⁾					
	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Education	220.9	249.0	273.5	295.8	296.6
Science and technology.....	12.5	15.0	30.1	35.7	40.5
Culture, tourism, sports and the media.....	29.9	47.4	56.3	53.2	37.8
Social security and employment	183.1	208.9	221.9	252.9	261.1
Health care	127.4	144.5	169.8	220.1	195.2
Energy efficient and environmentally friendly	35.7	61.2	65.0	57.8	50.9
Urban and rural community	119.9	149.8	153.7	178.9	186.8
Agriculture, forestry, and water	198.4	227.7	251.4	268.6	261.1
Transportation.....	136.9	141.6	144.9	128.2	108.3
Total.....	1,444.0	1,691.3	1,858.6	1,972.5	1,982.8

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from Statistical Communique of Hainan on the National Economic and Social Development 2021.

Source: Hainan Statistical Yearbook 2021, Hainan Provincial Bureau of Statistics, Statistical Communique of Hainan on the National Economic and Social Development 2021, Department of Finance of Hainan Province

Government funds

Government funds refers to the funds collected without compensation by the people's governments at all levels and the respective departments thereof from citizens, legal persons and other organisations in accordance with the laws, administrative regulations and documents issued by the Central Committee of the Communist Party of China and the State Council for the exclusive use of supporting the construction and development of specific public infrastructure and public service.

The following table sets out the revenue and expenditure of the government funds in Hainan for 2017-2021.

Government Funds⁽¹⁾					
	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Government funds					
Revenue from government funds.....	397.5	382.0	455.8	522.6	394.1
Government fund expenditure	465.7	527.3	632.5	879.6	537.5

Notes:

- (1) Data of 2017 to 2020 is from Hainan Statistical Yearbook 2021 and data of 2021 is from the Basic Conditions of Hainan Provincial Revenue and Expenditure 2021.

Source: Hainan Statistical Yearbook 2021, Department of Finance of Hainan Province

In the first six months of 2022, the revenue from government funds of Hainan Province was RMB19.28 billion, representing an increase of 1.4% over the same period in 2021, and the government fund expenditure of Hainan Province was RMB48.61 billion, representing an increase of 153.9% over the same period in 2021.

State-owned capital operating budget

The state-owned capital operating budget is the income and expenditure budgets of the state in its capacity as owner of state-owned capital when it obtains state-owned capital gains in accordance with the law and distributing such capital gains.

The following table sets out the state-owned capital operating budget in Hainan for 2017-2021.

	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
State-owned capital operating budget					
State-owned capital operating budget income	2.8	3.8	3.6	4.0	4.57
State-owned capital operating budget expenditure.....	2.0	2.2	2.6	2.7	2.99

Source: Department of Finance of Hainan Province

Budget of the social insurance fund

The budget of the social insurance fund is an annual plan established in accordance with the laws and regulations governing the state social insurance and budget, reflecting the income and expenditure of the various social insurance funds. The budget of the social insurance fund is prepared according to insurance type, including, amongst others, basic pension insurance fund for enterprise retirees, unemployment insurance fund, basic medical insurance fund for urban workers, work injury insurance fund, and maternity insurance fund.

The following table sets out the budget of social insurance funds in Hainan for 2017-2021.

	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Budget of Social Insurance Funds					
Income from social insurance funds	411.6	505.9	549.4	507.6	671.0
Social insurance fund expenditure.....	341.1	401.9	454.9	507.8	559.6

Source: Department of Finance of Hainan Province

GOVERNMENT DEBT

In accordance with the Budget Law of the PRC, the indebtedness incurred according to the limit issued by the State Council shall be included in its local budget adjustment plans and be reported to the standing committee of the local people's congress for approval. Any indebtedness incurred shall have a repayment plan and a stable source of repayment funds, and shall only be used for public welfare capital expenditure but not for recurring expenditure. The indebtedness incurred by local governments shall be within the debt limit in the corresponding year.

Local Government Debt of Hainan in 2021

As at December 31 2021, the debt balance of Hainan Province is RMB300.79 billion, accounting for 46.5% of Hainan's GDP. Each of the due government debt has been repaid in full and in timely manner by the Hainan Province, showing the good credit the government has maintained. The overall debt risk of Hainan is low and manageable. As at December 31 2021, the debts with tenors of three years and less, three to five years (including five years), five to seven years (including seven years), seven to ten years (including seven years) and over ten years approximately account for 33%, 25%, 17%, 17% and 8% of the total existing government debts of Hainan Province, respectively.

The following table sets forth the information about Hainan's government debt for 2017-2021.

Hainan Province Debt Statement⁽¹⁾

	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Debt limit.....	1,834.3	2,091.3	2,426.4	2,811.4	3,257.4
Final accounts of debt balance.....	1,560.0	1,942.4	2,230.7	2,622.8	3,007.9

Notes:

- (1) Data of 2017 is from Hainan Provincial Financial Budget Adjustment Plan and data of 2018 to 2021 is from Hainan Provincial Government Final Accounts 2018-2021.

Source: Department of Finance of Hainan Province

Debt Limit

The following table sets forth the information of government debt limit for Hainan by category for 2017-2021.

Debt Limit⁽¹⁾

	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Debt limit					
General debt.....	1,212.0	1,327.0	1,455.5	1,593.5	1,718.5
Specific debt.....	622.3	764.3	970.9	1,217.9	1,538.9
Total	1,834.3	2,091.3	2,426.4	2,811.4	3,257.4

Notes:

- (1) Data of 2017 is from Hainan Provincial Financial Budget Adjustment Plan, data of 2018 to 2020 is from Hainan Provincial Government Final Accounts 2018-2020, data of 2021 is from the Report on the Implementation of the Hainan Budget in 2021 and the Draft Budget for the year 2022.

Source: Department of Finance of Hainan Province

Debt Balance

The table below sets forth the information of the government debt balances of Hainan by category for 2017-2021.

	Final Accounts of Debt Balance⁽¹⁾				
	2017	2018	2019	2020	2021
	<i>(In RMB100 million)</i>				
Final accounts of debt balance					
General debt.....	1,098.0	1,250.8	1,359.2	1,493.1	1,599.4
Specific debt.....	462.0	691.6	871.5	1,129.7	1,408.5
Total	1,560.0	1,942.4	2,230.7	2,622.8	3,007.9

Notes:

- (1) Data of 2017 is from Hainan Provincial Financial Budget Adjustment Plan, data of 2018 to 2020 is from Hainan Provincial Government Final Accounts 2018-2020, data of 2021 is from the Report on the Implementation of the Hainan Budget in 2021 and the Draft Budget for the year 2022.

Source: Department of Finance of Hainan Province

Debt Record

The Hainan People's Government has consistently paid the debt principal, interest and premium in full upon maturity.

USE OF PROCEEDS

The net proceeds from the offering of the 2024 Bonds will be used to finance Eligible Projects that are classified as Blue Eligible Categories in accordance with the Framework.

The net proceeds from the offering of the 2025 Bonds will be used to finance Eligible Projects that are classified as Green Eligible Categories and Social Eligible Categories in accordance with the Framework.

The net proceeds from the offering of the 2027 Bonds will be used to finance Eligible Projects that are classified as Green Eligible Categories and Social Eligible Categories in accordance with the Framework.

The source of repayment for the principal and interest of the 2024 Bonds, the 2025 Bonds and the 2027 Bonds will be the funds from the government and proceeds from the projects.

GREEN, SOCIAL, BLUE AND SUSTAINABILITY BONDS FRAMEWORK

The People's Government of Hainan Province of the People's Republic of China's Sustainability Strategy

In order to further promote green and low-carbon development, The People's Government of Hainan Province continues to promote landmark projects, build a high-level national pilot zone for ecological conservation, advocate a green and low-carbon producing and living style, develop blue economic and explore the path to realize the value of ecological products in Hainan with the advantages of marine-resources-rich province. Hainan Province also develops social undertakings vigorously, takes more actions to improve people's livelihood. With the subject of consolidation and promotion. Hainan Province will continue to improve hardware facilities, build a new pattern of coordinated regional development, run fair and high-quality education system, accelerate the development of science, education, culture and health care, speed up the construction of affordable housing, improve multi-level of social security and promote rural revitalization comprehensively.

GSBS Bonds Framework

This Green, Social, Blue and Sustainability (“GSBS”) Bonds Framework (the “Framework”) sets out how The People's Government of Hainan Province intends to enter into GSBS Bonds Issuance to finance or refinance projects and businesses with environmental or social benefits. GSBS Bonds include Green, Social, Blue and Sustainability Bond where proceeds are applied to eligible green, social, blue and sustainability projects (“Eligible Projects”) as defined in this Framework.

The People's Government of Hainan Province has prepared this Framework in accordance with the International Capital Market Association (“ICMA”) the Sustainability Bond Guidelines 2021 (SBG, 2021), the Green Bond Principles 2021 (GBP, 2021), the Social Bond Principles 2021 (SBP, 2021), the International Finance Corporation (“IFC”) Guidelines for Blue Finance Guidance for financing the Blue Economy (BFG, 2022), as well as the UN Global Compact Sustainable Ocean Principles, or as it may be subsequently amended. Other forms of financing may conform to other sustainability finance principles as may have been established at the time.



The Framework is presented through the following four pillars:






1. Use of Proceeds;
2. Project Evaluation and Selection;
3. Management of Proceeds;
4. Reporting.




1 Use of Proceeds



All the net proceeds of the GSBS Bonds issued under this Framework will be used exclusively for the financing or the refinancing of Eligible Projects. The People's Government of Hainan Province will refer to the latest exclusion list of IFC as a reference for its project consideration and will exclude fossil fuel-related assets and power generation and nuclear fuels and power generation projects. Refinancing of Eligible Projects will have a look-back period no longer than 36 months from the time of issuance. The Eligible Projects include but not limited to:

1.1 Green Eligible Categories







Eligible Categories	Alignment with ICMA Green Bond Principles 2021	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Sustainable water and wastewater management	Sustainable water and wastewater management	<ul style="list-style-type: none"> • Improve water supply infrastructure and facilities or improve quality of the supplied drinking water • Improve wastewater treatment and sustainable urban drainage systems • Comprehensive elimination of black and odorous water • Improve the water quality of certain areas • Treatment and utilization of sewage sludge • Reduction in water losses in water transfer or distribution • Water reuse or water use avoided by waterless solutions and equipment, (e.g. for sanitation, cooling systems for power plants, industrial processes, etc.) • Improve sanitation facilities that have been constructed under the project • Increase and improve facilities regarding treatment and disposal or reuse of sewage sludge 	<ul style="list-style-type: none"> • Sustainable infrastructure for clean or drinking water, wastewater treatment, sustainable urban drainage systems and river training and other forms of flooding mitigation • Investments in research, design, development and implementation of efficient clean water 	 

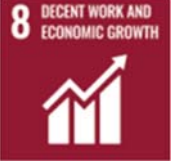
Eligible Categories	Alignment with ICMA Green Bond Principles 2021	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Environmentally sustainable management of living natural resources and land use	Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Maintain / safeguard / increase of natural landscape area 	<ul style="list-style-type: none"> Environmentally sustainable agriculture; environmentally sustainable animal husbandry; climate smart farm inputs such as biological crop protection or drip-irrigation; environmentally sustainable fishery and aquaculture; environmentally sustainable forestry, including afforestation or reforestation, and preservation or restoration of natural landscapes 	   
Climate change adaptation	Climate change adaptation	<ul style="list-style-type: none"> Reduction in flood damage costs Reduction in land-loss from inundation or coastal erosion 	<ul style="list-style-type: none"> Efforts to make infrastructure more resilient to impacts of climate change, as well as information support systems, such as climate observation and early warning systems 	

Eligible Categories	Alignment with ICMA Green Bond Principles 2021	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Clean transportation	Clean transportation	<ul style="list-style-type: none"> Reduction of greenhouse gases emissions through the deployment of low-carbon public transportation Construction, extension or improvement to core sustainable transport infrastructure 	<ul style="list-style-type: none"> Electric, hybrid, public, rail, non-motorized, multi-modal transportation, infrastructure for clean energy vehicles and reduction of harmful emissions Construction of infrastructure and related expenditure which facilitate cycling 	
Terrestrial and aquatic biodiversity conservation	Terrestrial and aquatic biodiversity conservation	<ul style="list-style-type: none"> Preserving terrestrial & marine natural habitats Increasing number of conservation workers Improvement of income of local populations 	<ul style="list-style-type: none"> The protection of coastal, marine and watershed environments 	
Green buildings	Green buildings	<ul style="list-style-type: none"> Carbon reductions - in new buildings or retrofitted buildings Water efficiency Improvement- in new buildings or retrofitted buildings Energy saving- in new buildings or retrofitted buildings 	<ul style="list-style-type: none"> Construction of new buildings/ facilities and renovation/ retrofitting of existing buildings/ facilities that have received 	



Eligible Categories	Alignment with ICMA Green Bond Principles 2021	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
			<p>or are expected to receive a recognized green building certification:</p> <ul style="list-style-type: none"> • China Three Star Green Building Evaluation Standard (Three Star Rating) • U.S. Leadership in Energy and Environmental Design (LEED) with a rating at “Gold” or “Platinum” 	
Renewable energy	Renewable energy	<ul style="list-style-type: none"> • Annual GHG emissions reduced/avoided in tones of CO2 equivalent • Increase in annual renewable energy generation • Increase or rehabilitate the capacity of renewable energy plants • Increase investment in physical renewable energy infrastructure in the whole administrative region 	<ul style="list-style-type: none"> • Design, construction, installation, operation and connection of renewable energy systems, including solar (photovoltaic) and wind power etc. at buildings, venues, facilities and infrastructure 	 






1.2 Social Eligible Categories

Eligible categories	Alignment with ICMA Social Bond Principles 2021	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Access to essential services	Access to essential services	<p>Health</p> <ul style="list-style-type: none"> Improved healthcare accessibility Improved responsiveness of healthcare system Increased hospital bed capacity or decreased density Decreased distance to healthcare facilities <p>Education</p> <ul style="list-style-type: none"> Providing quality education 	<ul style="list-style-type: none"> Health, education and vocational training, and healthcare for general public 	 
Affordable basic infrastructure	Affordable basic infrastructure	<ul style="list-style-type: none"> Increased access to clean, affordable water and sanitation Increasing number of water infrastructure projects built/upgraded 	<ul style="list-style-type: none"> Clean drinking water, sewers, sanitation and transport for general public 	 
Affordable housing	Affordable housing	<ul style="list-style-type: none"> Improved safety and shelter outcomes Reduction in number of people experiencing poor housing and homelessness 	<ul style="list-style-type: none"> Improved access to affordable housing for target population such as displaced persons or persons who needs temporary accommodation 	 




Eligible categories	Alignment with ICMA Social Bond Principles 2021	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Socioeconomic advancement and empowerment	Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> • Reduced unemployment • Improved economic growth/GDP 	<ul style="list-style-type: none"> • Equitable access to and control over assets, services, resources and opportunities • Equitable participation and integration into the market and society, including reduction of income inequality 	

1.3 Blue Eligible Categories

Eligible categories	Alignment with ICMA Green Bond Principles 2021, IFC Guidelines for Blue Finance Guidance 2022, as well as the UN Global Compact Sustainable Ocean Principles	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Water sanitation	Pollution prevention and control Climate change	<ul style="list-style-type: none"> • New or expansion of water treatment infrastructure • Rehabilitation or retrofit of existing water treatment infrastructure • Construction of wastewater treatment plants including industrial, agri-business, commercial, residential or city level • Reduction of plastic waste • Reduce run-off from agriculture and cities • Sustainable alternative solutions to plastic 	<ul style="list-style-type: none"> • Investments in the research, design, development and implementation of water treatment solutions 	 

Eligible categories	Alignment with ICMA Green Bond Principles 2021, IFC Guidelines for Blue Finance Guidance 2022, as well as the UN Global Compact Sustainable Ocean Principles	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Sustainable shipping and port logistics sectors	Pollution prevention and control Environmentally sustainable management of living natural resources and land use Climate Change	<ul style="list-style-type: none"> Investments in ballast water treatment and shipping vessels 	<ul style="list-style-type: none"> Investments in the research, design, development, and implementation of water system, and pollution reduction measures in shipping vessels, shipping yards, and ports 	  
Fisheries, aquaculture and seafood value chain	Pollution prevention and control Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Sustainable production and waste management and reduction measures that meet, keep, or exceed Marine Stewardship Council certification standards or equivalent certification standards 	<ul style="list-style-type: none"> To improve environmental sustainability of fisheries and the seafood value chain. Qualifying projects include ecosystem-based fisheries management; improved cold storage and processing through 	 

Eligible categories	Alignment with ICMA Green Bond Principles 2021, IFC Guidelines for Blue Finance Guidance 2022, as well as the UN Global Compact Sustainable Ocean Principles	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
			<p>certification schemes</p> <ul style="list-style-type: none"> To improve environmental sustainability of aquaculture, mariculture, and algaculture. Qualifying projects include development of new or upgrades to existing infrastructure for sustainable aquaculture, algaculture, or mariculture; development of alternative (not wild-caught) feeds for aquaculture; and development of new technologies and systems to reduce pollution from aquaculture systems and supply chains 	

Eligible categories	Alignment with ICMA Green Bond Principles 2021, IFC Guidelines for Blue Finance Guidance 2022, as well as the UN Global Compact Sustainable Ocean Principles	Potential Criteria & Benefits	Description	Main Contribution to United Nations Sustainable Development Goals
Marine ecosystem restoration	Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Increasing investments in the development of ecosystems' insurance products Increasing investments in information systems, technology, and instruments deployed for measuring, tracking, and reporting physical and chemical indicators of the water body Increasing investments into promising new restoration techniques 	<ul style="list-style-type: none"> Conserving, improving, and restoring marine and coastal ecosystems 	
Ocean-friendly chemicals and plastic-related sectors:	Pollution prevention and control Environmentally sustainable management of living natural resources and land use	<ul style="list-style-type: none"> Flood mitigation systems that prevent plastics, chemicals, solid wastes or pollutants runoff in areas connected to rivers or coastal water basins Urban drainage systems that prevent plastics, chemicals, or pollutants runoff in areas connected to rivers or coastal water basins 	<ul style="list-style-type: none"> Development, and implementation of measures to manage, reduce, recycle, and treat plastic, pollution, or chemical wastes in coastal and river basin areas 	 

- The net proceeds from green bonds will be allocated to Green Eligible Categories as defined in 1.1
- The net proceeds from social bonds will be allocated to Social Eligible Categories as defined in 1.2

- The net proceeds from blue bonds will be allocated to Blue Eligible Categories as defined in 1.3
- The net proceeds from sustainability bonds will be allocated to Green Eligible Categories and Social Eligible Categories as defined in 1.1 and 1.2 respectively

2 Project Evaluation and Selection

2.1 Offshore Bonds Working Group

The Offshore Bonds Working Group (the “**OBWG**”) has been set up by Department of Finance of Hainan Province of the People’s Republic of China, with the director-general of Department of Finance of Hainan Province acting as group leader, a member of the CPC party leadership group in Department of Finance of Hainan Province acting as deputy group leader, relevant division of Department of Finance of Hainan Province acting as group members to approve each GSBS Bond under the Framework and relevant management measures of local government bonds:

- Each GSBS Bond under the Framework
- Allocation of proceeds of each GSBS Bond issued to Eligible Projects
- Eligible Projects’ continual fulfillment of the eligibility criteria during the life of the bonds
- Reports prepared

2.2 Evaluation and Selection of Eligible Projects

The Offshore Bonds Working Group will review the potential Eligible Projects against the eligibility criteria outlined in the Use of Proceeds section based on the following:

- Description of the project and the technical/scientific approach setting out the environmental/social benefits to be obtained
- Preliminary, provisional or final certificates received in respect of compliance with relevant standards
- Where applicable, Offshore Bonds Working Group will initiate and relevant departments will be responsible for the review of relevant data, against relevant standards or benchmarks

If a project is approved as an Eligible Project by the Offshore Bonds Working Group in accordance with this Framework, it may be earmarked for the use of proceeds under this Framework. The Offshore Bonds Working Group will maintain notes and records of all approved Eligible Projects and the allocation of proceeds of any GSBS Bonds. Qualified third-party agencies may also be engaged for independent assessment to investigate and report on the eligibility, or otherwise, of projects as Eligible Projects under this Framework.

Feasibility reports or relevant project materials will also be prepared before the commencement of Eligible Projects which identify the potential negative environmental or social impacts and mitigating measures.

3 Management of Proceeds

Department of Finance of Hainan Province has established an effective mechanism to manage the proceeds and ensure the proceeds from GSBS Bonds will be used to Eligible Projects.

3.1 Planning for Use of Proceeds

Prior to the issuance of GSBS Bonds, Department of Finance of Hainan Province shall develop the preliminary Eligible Project List (as described in “*Project Evaluation and Selection*” section) to ensure the proceeds from GSBS Bonds can be allocated to Eligible Projects in a timely manner.

Eligible Project Lists include:

- Project description (including the location of projects, project category, etc.)
- Name of the entity implementing the project
- Investment amount and date
- Project progress
- Estimated environmental or social benefits
- Confirm the project meets the eligible criteria under this Framework
- Other necessary information related to green financing transactions

3.2 Management of Investment Register

The Offshore Bonds Working Group should maintain the register system to keep track of the use of proceeds from each GSBS bond to ensure that the amounts are properly managed and used. The register system will contain the following information:

- Transaction information: such as issue amount, (net) amount of proceeds, coupon rate, issue date, maturity date, type of bond and the identifiers number
- Proceeds allocation information: such as project name, borrower description, project category, approved limit outstanding balance, drawdown date, repayment date and interest rate of the borrowing etc. Department of Finance of Hainan Province will review the usage of the proceeds and update the register information on a yearly basis. Any amounts allocated to the Eligible Projects that have amortized, been prepaid, sold or otherwise become ineligible shall be reallocated to newly nominated and approved Eligible Projects
- Use of Unallocated Proceeds: Pending full allocation, unallocated proceeds will be held in treasury as cash according to fiscal fund management policies and its financial and liquidity management policies temporarily; and allocate to Eligible Projects as soon as possible to enhance efficiency of the proceeds usage

4 Reporting

Based on the Framework and relevant management measures of local government bonds, Department of Finance of Hainan Province will make disclosure in relation to the allocation of proceeds and the environmental or social impacts of the funded Eligible Projects on an annual basis on its official website. The People’s Government of Hainan Province is committed to maintaining transparency of information disclosure following the best practices recommended by (SBG, 2021), (GBP, 2021), and (SBP, 2021). The following contents will be disclosed annually:

- 4.1 Annual report of the GSBS bonds, where the content includes but not limited to the proceeds allocation and environmental or social impacts information.
- Breakdown in terms of amount and percentage allocated to each Eligible Project Category
 - Appropriate case information, payment and project progress of the selected Eligible Projects

- The balance and management of unallocated proceeds yet to be earmarked and how they are invested temporarily;
- Percentages of refinancing and financing of Eligible Projects
- Positive environmental or social impact of allocated Eligible Projects (Category)

4.2 External Review

External reviewer(s) will be engaged to confirm the alignment of the debt instruments with the relevant ICMA principles and guidelines as well as the UN principles.

TAXATION

The following summary of certain taxation provisions under the PRC and Hong Kong laws is based on current law and practice. It does not purport to be comprehensive and does not constitute legal or tax advice. Prospective investors should consult their own tax advisers regarding the tax consequences of an investment in the securities.

In respect of repayments of principal or interest on the Bonds, the Bonds are not subject to any individual or enterprise income tax or stamp duty in the PRC nor to any stamp duty in Hong Kong.

Interest on, and profit from disposal of, the Bonds are expected to be exempted from Hong Kong profits tax.

SUBSCRIPTION AND SALE

The Issuer and the Joint Lead Managers have entered into a subscription agreement dated on or about 26 October 2022 (the “**Subscription Agreement**”), pursuant to which the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to subscribe and pay for or procure subscribers to subscribe and pay for, the 2024 Bonds at their issue price of 100.00% of their principal amount, the 2025 Bonds at their issue price of 100.00% of their principal amount and the 2027 Bonds at their issue price of 100.00% of their principal amount.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers and their respective affiliates on behalf of the Issuer in such jurisdiction.

The Issuer is entitled to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

2024 Bonds

Joint Lead Managers	Principal Amount (RMB)
Bank of China (Hong Kong) Limited	199,940,000
China International Capital Corporation Hong Kong Securities Limited	199,940,000
Bank of Communications Co., Ltd. Hong Kong Branch	199,940,000
ICBC International Securities Limited	42,870,000
China Construction Bank (Asia) Corporation Limited	42,870,000
Standard Chartered Bank (Hong Kong) Limited	42,870,000
Crédit Agricole Corporate and Investment Bank	42,870,000
CMB Wing Lung Bank Limited.....	42,870,000
The Hongkong and Shanghai Banking Corporation Limited.....	42,870,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch.....	42,870,000
Agricultural Bank of China Limited Hong Kong Branch	42,870,000
Deutsche Bank AG, Hong Kong Branch.....	42,870,000
CEB International Capital Corporation Limited	42,870,000
Mizuho Securities Asia Limited.....	42,870,000
CLSA Limited	42,870,000
Guotai Junan Securities (Hong Kong) Limited.....	42,870,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	42,870,000
Total	1,200,000,000

2025 Bonds

Joint Lead Managers	Principal Amount (RMB)
Bank of China (Hong Kong) Limited	433,460,000
China International Capital Corporation Hong Kong Securities Limited	433,460,000
Bank of Communications Co., Ltd. Hong Kong Branch	433,460,000
ICBC International Securities Limited	92,830,000
China Construction Bank (Asia) Corporation Limited	92,830,000
Standard Chartered Bank (Hong Kong) Limited	92,830,000
Crédit Agricole Corporate and Investment Bank	92,830,000
CMB Wing Lung Bank Limited.....	92,830,000
The Hongkong and Shanghai Banking Corporation Limited.....	92,830,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch.....	92,830,000
Agricultural Bank of China Limited Hong Kong Branch	92,830,000
Deutsche Bank AG, Hong Kong Branch.....	92,830,000
CEB International Capital Corporation Limited	92,830,000
Mizuho Securities Asia Limited.....	92,830,000
CLSA Limited	92,830,000
Guotai Junan Securities (Hong Kong) Limited.....	92,830,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	92,830,000
Total	2,600,000,000

2027 Bonds

Joint Lead Managers	Principal Amount (RMB)
Bank of China (Hong Kong) Limited	199,940,000
China International Capital Corporation Hong Kong Securities Limited	199,940,000
Bank of Communications Co., Ltd. Hong Kong Branch	199,940,000
ICBC International Securities Limited	42,870,000
China Construction Bank (Asia) Corporation Limited	42,870,000
Standard Chartered Bank (Hong Kong) Limited	42,870,000
Crédit Agricole Corporate and Investment Bank	42,870,000
CMB Wing Lung Bank Limited.....	42,870,000
The Hongkong and Shanghai Banking Corporation Limited.....	42,870,000
Shanghai Pudong Development Bank Co., Ltd., Hong Kong Branch.....	42,870,000

Joint Lead Managers	Principal Amount (RMB)
Agricultural Bank of China Limited Hong Kong Branch	42,870,000
Deutsche Bank AG, Hong Kong Branch.....	42,870,000
CEB International Capital Corporation Limited	42,870,000
Mizuho Securities Asia Limited.....	42,870,000
CLSA Limited	42,870,000
Guotai Junan Securities (Hong Kong) Limited.....	42,870,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	42,870,000
Total	1,200,000,000

Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, a CMI or its group companies would be considered under the Code as having an Association with the Issuer, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer 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 any MiFID II 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 Bonds (except for omnibus orders where underlying investor information should be provided to the OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place “X-orders” into the order book.

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

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

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

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) are requested to provide the following underlying investor information, preferably in Excel Workbook format, in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). 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 the OCs; (B) that they have obtained the necessary consents from the underlying investors to disclose such information to the OCs. By submitting an order and providing such information to the OCs, 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 the OCs and/or any other third parties as may be required by the Code, including to the Issuer, relevant regulators and/or any other third parties as may be required by the Code, for the purpose of complying with the 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 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 Manager with such evidence within the timeline requested.

To:	<p><i>projectsuccess@bochk.com;</i> <i>IB_Project_hn2022@cicc.com.cn; dcm@bankcomm.com.hk;</i> <i>puruihang@citics.com</i></p> <p><i>CMIs submitting orders should send <u>ALL</u> of the below information, at the same time as such order is submitted, to <u>EACH</u> OC contact set out above. Failure to do so may result in such order being rejected.</i></p>
Offering:	RMB denominated bonds (ISIN: HK0000877461), RMB denominated bonds (ISIN: HK0000877479) and RMB denominated bonds (ISIN: HK0000877487) issued by People’s Government of Hainan Province of the People’s Republic of China
Date:	
Name of CMI submitting order:	
Name of prospective investor:	
Type of unique identification of prospective investor:	<i>For individual investor clients, indicate one of the following:</i> <i>(i) HKID card; or</i>

	<p>(ii) national identification document; or</p> <p>(iii) passport.</p> <p><i>For corporate investor clients, indicate one of the following:</i></p> <p>(i) legal entity identifier (LEI) registration; or</p> <p>(ii) company incorporation identifier; or</p> <p>(iii) business registration identifier; or</p> <p>(iv) other equivalent identity document identifier.</p>
Unique identification number of prospective investor:	<i>Indicate the unique identification number which corresponds with the above “type” of unique identification</i>
Order size (and any price limits):	
<p>Other information:</p> <ul style="list-style-type: none"> • Associations • Proprietary Orders • Duplicated Orders (i.e. two or more corresponding or identical orders placed via two or more CMIs) 	<p><i>Identify any “Associations” (as used in the Code) and, if any Associations identified, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.</i></p> <p><i>Identify if this order is a “Proprietary Order” (as used in the Code) and, if so, provide sufficient information to enable the OCs to assess whether such order may negatively impact the price discovery process.</i></p> <p><i>If the prospective investor has placed an/any order(s) via other CMIs in this offering, identify if this order is (i) a separate/unique order or (ii) a duplicated order.</i></p>
Contact Information of CMI submitting the order:	<i>Provide 24-hour contact details (telephone and email) of relevant individual(s) who may be contacted in relation to this order.</i>

United States

The Bonds have not been and will not be registered under the Securities Act. Subject to certain exceptions, the Bonds may not be offered, sold or delivered within the United States. Each Joint Lead Manager has agreed that it will not offer, sell or deliver any Bonds within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

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

United Kingdom

Each Joint Lead Manager has represented and agreed 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 Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to such Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each Joint Lead Manager has represented and agreed that it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) and any rules made under the SFO.

PRC

The Bonds are not intended to be offered directly or indirectly within the PRC (except in Hong Kong and otherwise permissible under applicable PRC laws). This Offering Circular may not be supplied to the public in the PRC. This Offering Circular does not constitute an offer to sell or the solicitation of an offer to purchase any Bonds in the PRC.

Each Joint Lead Manager has represented, warranted and agreed that the Bonds not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except where permitted by applicable law of the PRC.

Taiwan Region

Each Joint Lead Manager has represented and agreed that as the Bonds have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan Region and/or other regulatory authority or agency of Taiwan Region pursuant to relevant securities laws and regulations of Taiwan Region, it has not offered or sold and will not offer or sell the Bonds within Taiwan Region through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan Region that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan Region and/or other regulatory authority or agency of Taiwan Region. No person or entity in Taiwan Region has been authorised to offer or sell the Bonds in Taiwan Region.

Macao

This is an offering targeted at institutional investors. Each Joint Lead Manager has represented and agreed that the Bonds may not be promoted, distributed, sold or delivered in Macao, or any document relating to the Bonds be distributed or circulated in Macao, except under the terms of and in compliance with the Macao Financial System Act approved by the Decree Law no. 32/93/M (“FSA”) and Guidelines under Circular no. 033/B/2010-DSB/AMCM, Circular no. 009/B/2019-DSB/AMCM and Circular 008/B/2021-DSB/AMCM as well as any other laws in Macao that may apply to the offer and sale of the Bonds in Macao. The Bonds are not authorised for public offer in Macao under the FSA and Guidelines under Circular no. 033/B/2010-DSB/AMCM, Circular no. 009/B/2019-DSB/AMCM and Circular 008/B/2021-DSB/AMCM, thus may not be offered or sold in Macao, unless such offer is made by Macao licensed financial institution according to the FSA and Guidelines under Circular no. 033/B/2010-DSB/AMCM and Circular no. 009/B/2019-DSB/AMCM and Circular 008/B/2021-DSB/AMCM and upon their communication to the Monetary Authority of Macao and Chongwa (Macao) Financial Asset Exchange Co., Ltd., in observation of the guidelines and recommendations issued by the Monetary Authority of Macao from time to time.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an

invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) 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 Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”) and each Joint Lead Manager has represented and agreed that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended), or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

General

Each Joint Lead Manager has represented and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Bonds or possesses, distributes or publishes this Offering Circular or any other offering material relating to the Bonds. Persons into whose hands this Offering Circular comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or possess, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through the CMU. The securities codes for the Bonds are as follows:

	CMU Instrument Number	ISIN	Common Code
2024 Bonds	BCMFKFB22021	HK0000877461	253936304
2025 Bonds	BCMFKFB22022	HK0000877479	253936401
2027 Bonds	BCMFKFB22023	HK0000877487	253938277

The address of the CMU is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

2. **Authorisations:** The issuance of the Bonds has been approved by the Ministry of Finance of the People's Republic of China pursuant to the Notice Issued by the Ministry of Finance on the Issuance of Local Government Debts in Hong Kong and Macau in 2022 (Cai Ku [2022] No.28). The issuance of the Bonds has been included in the 2022 financial budget plan of Hainan Province of the People's Republic of China as approved by Hainan PC and the Standing Committee of Hainan PC in accordance with the statutory procedures. In accordance with the Budget Law of the People's Republic of China, the Regulation on the Implementation of the Budget Law of the People's Republic of China (Guo Ling No. 729), the Opinion of the State Council on Strengthening the Management of Local Government Debt (Guo Fa [2014] No. 43) and the Administrative Measures for the Local Government Bonds Issuance, the Bonds are issued as special bonds.
3. **Listing:** The Bonds will be listed on the SEHK.
4. **Significant Change:** There has been no significant change in the tax and budgetary systems, gross public debt, foreign trade, financial position and resources and income and expenditure figures of Hainan People's Government since 31 December 2021.
5. **Legal Proceedings:** There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending) during the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, significant effects on the financial position of the Issuer.
6. **Available Documents:** From the date hereof and for so long as any of the Bonds remains outstanding, copies of the government budget of Hainan People's Government for the current fiscal year, will be available for inspection at the specified office of the Fiscal Agent at 16/F, COS Center, 56 Tsun Yip Street, Kwun Tong, Hong Kong, during normal business hours. The email address of the Fiscal Agent is securities_service@bankcomm.com.hk.
7. **Immunity:** To the extent that the Issuer may claim for itself immunity from any Proceedings (as defined in the *Terms and Conditions of the Bonds*), and to the extent that in any such jurisdiction there may be attributed to the Issuer such immunity (whether or not claimed), the Issuer hereby agrees not to claim and hereby waives and will waive such immunity in the face of the courts; provided, however, that the Issuer has not waived, and shall not waive, its sovereign and other immunity with respect to assets wherever located from execution or attachment, whether in aid of execution, before judgment or otherwise.

ISSUER

People's Government of Hainan Province of the People's Republic of China

109 Binhai Avenue, Finance Building
Haikou, Hainan 571000
The People's Republic of China

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Hong Kong

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Securities Limited**

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1 Harbour View Street,
Central, Hong Kong

FISCAL AGENT, PRINCIPAL PAYING AGENT, CMU LODGING AGENT, REGISTRAR AND TRANSFER AGENT

Bank of Communications Co., Ltd. Hong Kong Branch

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LEGAL ADVISERS

To People's Government of Hainan Province of the People's Republic of China

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