

IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the “Offering Circular”) following this page. You are advised to read this disclaimer carefully before accessing, reading 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: This Offering Circular is being sent to you at your request and by accepting the email and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Company and the Joint Lead Managers, the Trustee and the Agents (each capitalised term as defined herein) that (1) you and any customers you represent are not located in the United States (as defined under Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”)), (2) the e-mail address that you gave to the Issuer and the Trustee and to which this e-mail has been delivered is not located in the United States, its territories or possessions, and (3) 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, the Company, the Joint Lead Managers, the Trustee or the Agents nor any of their respective affiliates, directors, officers, employees, representatives, agents or any person who controls any of them nor any of their respective 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. The Issuer will provide a hard copy version to you upon request.

MiFID II product governance/Professional investors and ECPs only target market: Solely for the purposes of each 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 Bond (a “distributor”) should take into consideration the manufacturers’ 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 manufacturers’ target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to UK Retail Investors: The securities described herein are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom (as amended, the “FSMA”) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “UK PRIIPs Regulation”) for offering or selling the securities described herein or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the securities described herein or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore Securities and Futures Act Product Classification: Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore, as modified or amended from time to time) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in 309A of the SFA) that the Bonds are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018).

Restrictions: The attached document is in preliminary form and is being furnished in connection with an offering in offshore transactions outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein. You are reminded that the information in the attached Offering Circular is not complete and may be changed.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES DESCRIBED HEREIN 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. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS OUTSIDE THE UNITED STATES PURSUANT TO REGULATIONS UNDER THE SECURITIES ACT.

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or the Company of the securities described herein or the Joint Lead Managers, the Trustee or the Agents to subscribe for or purchase any of the securities described herein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (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). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this 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 this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities 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.

YOU ACKNOWLEDGE THAT THE ATTACHED OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, 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.

HONGKONG YUNLIN INTERNATIONAL CO., LIMITED
(香港雲林國際有限公司)

(incorporated with limited liability in Hong Kong)

RMB750,000,000 4.2 PER CENT. CREDIT ENHANCED GUARANTEED BONDS DUE 2025
unconditionally and irrevocably guaranteed by

WUXI NENGDA THERMOELECTRIC CO., LTD.
(無錫能達熱電有限公司)

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

supported by an irrevocable Standby Letter of Credit issued by
Bank of Shanghai Co., Ltd., Nanjing Branch

ISSUE PRICE: 100 per cent.

The RMB750,000,000 4.2 per cent. credit enhanced guaranteed bonds due 2025 (the "Bonds") will be issued by Hongkong Yunlin International Co., Limited (香港雲林國際有限公司) (the "Issuer"), a company incorporated under the laws of Hong Kong. The Bonds will be unconditionally and irrevocably guaranteed by Wuxi Nengda Thermoelectric Co., Ltd. (無錫能達熱電有限公司) (the "Company" or the "Guarantor"). Payments of principal and interest in respect of the Bonds will be supported by an irrevocable standby letter of credit (the "Standby Letter of Credit") denominated in Renminbi and issued by Bank of Shanghai Co., Ltd., Nanjing Branch (the "LC Bank"). See "Appendix A — Form of Irrevocable Standby Letter of Credit" for the form of the Standby Letter of Credit.

The Bonds will bear interest on their outstanding principal amount from and including 16 December 2022 (the "Issue Date") at the rate of 4.2 per cent. per annum, payable semi-annually in arrears in equal instalments on 16 June and 16 December in each year (each an "Interest Payment Date"), commencing on 16 June 2023. All payments of principal, premium (if any) and interest in respect of the Bonds, the Guarantee and the Trust Deed by or on behalf of the Issuer or the Company shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone), or, in each case, any political subdivision thereof or any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law, to the extent described under "Terms and Conditions of the Bonds — Taxation".

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 3(a) (Negative Pledge) unsecured of the terms and conditions of the Bonds (the "Conditions")) unsecured obligations of the Issuer which shall at all times rank *pari passu* among themselves (and without any preference or priority among themselves) and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law and regulations that are both mandatory and of general application. The denomination of the Bonds will be RMB1,000,000 each and integral multiples of RMB10,000 in excess thereof.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 December 2025. The Bonds are subject to mandatory redemption, in whole but not in part, at their principal amount, together with accrued interest, where the Issuer fails to pre-fund amounts payable on the Bonds. See "Terms and Conditions of the Bonds — Redemption and Purchase — Mandatory redemption upon Pre-funding Failure". The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice, in the event of certain changes affecting taxes of Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone). See "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Reasons". At any time following the occurrence of a Relevant Event (as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Conditions) at 100 per cent. of their principal amount, together with accrued to, but excluding, such Put Settlement Date. See "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for a Relevant Event".

In accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資[2015]2044號)) (the "NDRC Circular") issued by the National Development and Reform Commission of the PRC (the "NDRC", which for the purposes of the Offering Circular shall include any relevant local counterpart thereof) on 14 September 2015 which came into effect on the same day, the Company has registered the issuance of the Bonds with NDRC and obtained a certificate from the NDRC on 26 August 2022 evidencing such registration which, at the date of this Offering Circular, remains valid and in full force and effect. The Company undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days (as defined in the Condition) after the Issue Date in accordance with the NDRC Circular, and any implementation rules or guidelines as issued by the NDRC from time to time.

The Company will enter into a deed of guarantee (the "Guarantee") with Bank of Communications Trustee Limited (the "Trustee") on the Issue Date. The Company undertakes to (A) cause to be submitted an application for registration with the State Administration of Foreign Exchange of the PRC or its local branch ("SAFE") the Guarantee in accordance with, and within the time period prescribed by, the Provision on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the "Cross-border Security Registration"), and any implementation rules as issued by SAFE from time to time; (B) use all reasonable endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the day falling 180 calendar days after the Issue Date; and (C) shall comply with all applicable PRC laws and regulations in connection with the issuance of the Bonds and the Guarantee.

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds" beginning on page 62 of this Offering Circular.

Application has been made to Chongwa (Macao) Financial Asset Exchange Co., Ltd. (the "MOX") for the listing of the Bonds by way of debt issues to professional investors (as defined in Section 11 of the Guideline on Provision and Distribution of Financial Products (Circular 033/B/2010-DSB/AMCM) and in Section 2.1.6 of the Guideline on the Issuance of Bonds (Circular no. 009/B/2019-DSB/AMCM)) (the "MOX Professional Investors") only. Investors should not purchase the Bonds in the primary or secondary markets unless they are MOX Professional Investors and understand the risks involved. The Bonds are only suitable for MOX Professional Investors.

The MOX has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to MOX Professional Investors only have been reproduced in this document. Listing of the Bonds on MOX is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Company, the Group (as defined herein) or the quality of disclosure in this document. The MOX takes no responsibility for the contents of this document, makes 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 document. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Bonds, the Issuer, the Company, the Group (as defined herein) or the quality of disclosure in this document.

The PRC government (including but not limited to the provincial government of the Jiangsu Province, the People's Government of Xishan District and the Xishan Economic and Technological Development Zone State-owned Asset Management Office) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer and the Company. See "Risk Factors — General Risks Relating to the Group and its Businesses — The PRC government (including but not limited to the provincial government of the Jiangsu Province, the People's Government of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office) has no obligation to pay any amount under the Bonds as payment obligations under the Bonds remain the obligation of the Issuer and the Company".

As there are currently no specific regulations or guidelines relating to the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there is some uncertainty regarding the interpretation and application of PRC taxation and foreign exchange related laws and regulations to the Bonds. See "Taxation — PRC", "Risk Factors — Risks Relating to the Bonds, the Standby Letter of Credit and the Guarantee — Interest payable by the Issuer to overseas Bondholders and gains on the transfer of the Bonds may be subject to income tax and VAT under PRC tax laws" and "Risk Factors — Risks Relating to the Bonds, the Standby Letter of Credit and the Guarantee — Stamp duty may also be imposed during the issuance and transfer of the Bonds". Investors should consult their own legal and tax advisors as needed before making its investment decision.

Investing in the Bonds involves certain risks. Investors should take note of the risks associated with a guaranteed bonds supported by an irrevocable standby letter of credit and various other risks relating to the Bonds, the Issuer, the Company and the Group, their businesses and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the Bonds. See "Risk Factors" beginning on page 17 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds, the Guarantee and the Standby Letter of Credit have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds are being offered outside the United States pursuant to the exemption from registration under Regulation S under the Securities Act. 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".

The Bonds will initially be issued in uncertificated book-entry form held in China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) ("CCDC") with CCDC entered in the register of the Bonds as the sole registered holder on behalf of the persons notionally entitled thereto. Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by CCDC. A custodian recognised by CCDC will, through its account with CCDC, hold beneficial interests in the Bonds on behalf of investors located outside the PRC and will maintain sub-accounts in CCDC showing such beneficial interests. Except as described in this Offering Circular, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Bonds held in CCDC.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners
AMC Wanhai Securities Limited BOCOM International BOSC International

Joint Lead Managers and Joint Bookrunners
Industrial Bank Co., Ltd. Shenwan Hongyuan (H.K.) China Galaxy International
Hong Kong Branch

Offering Circular dated 9 December 2022

TABLE OF CONTENTS

	Page
SUMMARY	1
SUMMARY OF THE OFFERING	4
SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE GROUP	14
RISK FACTORS	17
TERMS AND CONDITIONS OF THE BONDS	62
SUMMARY OF PROVISIONS RELATING TO THE BONDS HELD IN CCDC	89
USE OF PROCEEDS	91
CAPITALISATION AND INDEBTEDNESS	92
DESCRIPTION OF THE LC BANK	93
DESCRIPTION OF THE ISSUER	95
DESCRIPTION OF THE GROUP	96
DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT OF THE COMPANY	108
PRC REGULATIONS	110
TAXATION	125
SUMMARY OF DIFFERENCES BETWEEN PRC GAAP AND IFRS	130
SUBSCRIPTION AND SALE	132
GENERAL INFORMATION	138
INDEX TO THE FINANCIAL STATEMENTS	F-1
APPENDIX A — FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT	A-1

IMPORTANT NOTICE

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

MiFID II product governance/Professional investors and ECPs only target market: Solely for the purposes of each 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 Bond (a "distributor") should take into consideration the manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of Sales to UK Retail Investors: The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom (as amended, the "FSMA") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and, therefore, offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (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).

The Issuer and the Company accept full responsibility for the accuracy of the information contained in this document and confirms, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Each of the Issuer and the Company, having made all reasonable enquiries, confirms, to the best of its knowledge and belief that (i) this Offering Circular contains all information with respect to the Group, the Bonds, the Standby Letter of Credit and the Guarantee, which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information

which, according to the particular nature of the Issuer, the Company, the Group, the Bonds, the SBLC and the Guarantee, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Company and the Group and the rights attaching to the Bonds, the SBLC and the Guarantee); (ii) the statements contained herein relating to the Group, the Bonds, the Standby Letter of Credit and the Guarantee are in every material respect true and accurate and not misleading and there are no other facts in relation to the Issuer, the Company, the Group, the Bonds and the Guarantee the omission of which would, in the context of the issue and offering of the Bonds and the giving of the Standby Letter of Credit or the Guarantee, make any statement, opinion or intention expressed in this Offering Circular misleading; (iii) the statements of intention, opinion and belief or expectation contained in this Offering Circular with regard to the Issuer, the Company and the Group are honestly and reasonably made or held, have been reached after considering all relevant circumstances; (iv) this Offering Circular does not, include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (v) the statistical, industry and market-related data included in this Offering Circulars is based on or derived from sources which the Issuer and the Company believe to be accurate and reliable in all material respects.

Notwithstanding the foregoing, the information included in this Offering Circular regarding Bank of Shanghai Co., Ltd. (the “**Bank**” or the “**Bank of Shanghai**”) is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Company have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Company, AMC Wanhai Securities Limited, BOCOM International Securities Limited, BOSCO International Company Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Shenwan Hongyuan Securities (H.K.) Limited and China Galaxy International Securities (Hong Kong) Co., Limited (collectively, the “**Joint Lead Managers**” and each, a “**Joint Lead Manager**”), the Trustee and the Agents (in each case as defined herein) or their respective affiliates, directors, officers, employees, representatives, agents or advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

This Offering Circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds and the giving of the Standby Letter of Credit and the Guarantee described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Standby Letter of Credit or the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Company and the Joint Lead Managers to inform themselves about and to observe any such restrictions. None of the Joint Lead Managers represents that this Offering Circular or any other material connected thereto has been or will be lawfully distributed, or that the Bonds has been or will be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Bonds, the giving of the Standby Letter of Credit or the Guarantee or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers 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. Each prospective investor of the Bonds must comply with all applicable laws and regulations in force in any

jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this Offering Circular and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and none of the Joint Lead Managers shall have any responsibility therefor. There are restrictions on the offer and sale of the Bonds and the giving of the Standby Letter of Credit or the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, Hong Kong, Singapore, Japan and the People's Republic of China, 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*". By purchasing the Bonds, investors are deemed to have represented and agreed to all of those provisions contained in that section of this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Company, the Group, the LC Bank, the Bonds, the Standby Letter of Credit or the Guarantee other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Company, the Group or the LC Bank or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof or as the case may be, the date upon which his Offering Circular has been most recently amended or supplemented.

This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. This Offering Circular may not be copied or reproduced in whole or in part. Investors must not use this Offering Circular for any other purpose, make copies of any part of this Offering Circular or give a copy of it to any other person, or disclose any information in this Offering Circular to any other person. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers 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 Trustee or the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers. The Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers have not independently verified any of the information contained in this Offering Circular and give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers do not accept any responsibility for the contents of this Offering Circular and assume no responsibility for the contents, accuracy, completeness or sufficiency of any such information or for any other statement, made or purported to be made by any of the Joint Lead Managers or on its behalf in connection with the Issuer, the Company or the issue and offering of the Bonds or the giving of the Standby Letter of Credit or the Guarantee. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents and advisers accordingly disclaim 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 statement herein. None of the Joint Lead Managers, the Trustee or any Agent or their respective affiliates, directors, officers, employees, representatives, agents or advisers undertakes to review the financial condition or affairs of the Group or the LC Bank after the date of this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the

Joint Lead Managers, the Trustee or any Agent or their respective affiliates, directors, officers, employees, representatives, agents or advisers. 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 Company, Group, the LC Bank, the Joint Lead Managers, the Trustee or the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

None of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents, or any of their respective affiliates, directors, officers, employees, agents, advisers or representatives, or any person who controls any of them is or are making any representation to any investor regarding the legality of an investment in the Bonds by it under any investment or similar laws or regulations. The contents of this Offering Circular have not been reviewed by any regulatory authority in any jurisdiction. Investors are advised to exercise caution in relation to the offering of the Bonds.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT LEAD MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS A STABILISATION MANAGER (IN SUCH CAPACITY, THE “STABILISATION MANAGER”) (OR ANY PERSON ACTING ON ITS BEHALF) MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND DIRECTIVES, OVER-ALLOT OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN DOING SO THE STABILISATION MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE ISSUER OR THE COMPANY, AND ANY LOSS RESULTING FROM OVER-ALLOTMENT AND STABILISATION WILL BE BORNE, AND ANY PROFIT ARISING THEREFROM SHALL BE BENEFICIALLY RETAINED, BY THE STABILISATION MANAGER.

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, the Company or any other member of the Group or their respective associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

In making an investment decision, investors must rely on their own examination of the Issuer, the Company, the Group, the LC Bank, the Standby Letter of Credit and the terms of the offering, including the merits and risks involved. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with its investigation of the accuracy of such information or its investment decision.

All non-company specific statistics and data relating to the Group’s industry or the economies of pertinent jurisdictions, such as the PRC, have been extracted or derived from publicly available information and various government sources. Each of the Issuer and the Company believes that the sources of this information are appropriate for such information and has taken reasonable care in extracting and reproducing such information. Each of the Issuer and the Company has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, this information has not been independently verified by

the Issuer, the Company, the Joint Lead Managers, the Trustee and the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers and none of the Issuer, the Company, the Joint Lead Managers, the Trustee and the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers makes any representation as to the correctness, accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS PURSUANT TO PARAGRAPH 21 OF THE CODE OF CONDUCT FOR PERSONS LICENSED BY OR REGISTERED WITH THE SECURITIES AND FUTURES COMMISSION IN HONG KONG

Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including the Joint Lead Managers, as applicable, are “capital market intermediaries” (“CMI”) 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”) for the offering of the Bonds and are subject to additional requirements under the Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Company, a CMI or its group companies would be considered under the Code as having an association (Association) with the Issuer, the Company, the relevant CMI or the relevant group company. Prospective investors associated with the Issuer, the Company or any CMI (including its group companies) should specifically disclose whether they have any such Association to a CMI and the Joint Lead Managers (and such CMI and the Joint Lead Managers may be required to pass such information to the Issuer, the Company and certain other CMIs) 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 the offering of the Bonds. 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 the offering of the Bonds, such order is hereby deemed not to negatively impact the price discovery process in relation to the offering of the Bonds.

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 the offering of the Bonds. 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 the offering of the Bonds, such “proprietary order” is hereby deemed not to negatively impact the price discovery process in relation to the offering of the Bonds.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private bank(s) which acts as a CMI in connection with this offering (“**Private Banks**”), if any) 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, the Company, any OC, 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 the offering of the Bonds. Failure to provide such information may result in that order being rejected.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

Unless otherwise indicated, all references in this Offering Circular to “China” or the “PRC” are to the People’s Republic of China and, for the purpose of this Offering Circular only, exclude Hong Kong, Macau and Taiwan, all references to “Macau” are to the Macau Special Administrative Region of the People’s Republic of China and all references to “Hong Kong” are to the Hong Kong Special Administrative Region of the People’s Republic of China. “PRC government” means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

Unless otherwise specified or the context requires, references herein to “Renminbi” or “RMB” are to the lawful currency of the PRC, references herein to “Hong Kong dollars”, “HK\$” or “HKD” are to the lawful currency of Hong Kong and references herein to “U.S. dollars”, “U.S.\$” or “USD” are to the lawful currency of the United States of America, and reference herein to “€”, “EUR” or “Euro” are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the treaty establishing the European Community, as amended from time to time.

Unless otherwise stated in this Offering Circular, all translations from Renminbi to the U.S. dollars have been made at the rates of RMB6.3726 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 December 2021.

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

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

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

In this Offering Circular, unless the context otherwise requires, the following terms shall have the meanings set out below.

“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會), now known as China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (“CBIRC”)
“Company” or “Guarantor”	Wuxi Nengda Thermoelectric Co., Ltd. (無錫能達熱電有限公司)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“GDP”	gross domestic product
“Group”	the Issuer, the Company and any of its consolidated subsidiaries taken as a whole
“Issuer”	Hongkong Yunlin International Co., Limited (香港雲林國際有限公司)

“MOC”	Ministry of Construction of the PRC
“MOF”	Ministry of Finance of the PRC
“MOFCOM”	The Ministry of Commerce of the People’s Republic of China
“MOHURD”	Ministry of Housing and Urban-Rural Development of the PRC, formerly known as Ministry of Construction of the PRC
“NDRC”	The National Development and Reform Commission of the People’s Republic of China
“PBOC”	The People’s Bank of China, the central bank of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC or its competent local counterparts
“SASAC”	State-owned Assets Supervision and Administration of the State Council
“SAT”	State Administration of Taxation of the PRC
“State Council”	State Council of the PRC
“%”	per cent.

PRESENTATION OF FINANCIAL INFORMATION

Financial Information of the Group

The audited consolidated financial information of the Group as at and for the years ended 31 December 2019, 2020 and 2021 included in this Offering Circular have been extracted from the audited consolidated financial statements of the Company as at and for the years ended 31 December 2019, 2020 and 2021 (the “**Audited Consolidated Financial Statements**”) audited by Reanda Certified Public Accountants LLP (Special General Partnership) (the “**Auditors**”), independent auditor of the Group, and included elsewhere in this Offering Circular together with the auditor’s report in respect of such years. Such Audited Consolidated Financial Statements have been prepared in accordance with the Accounting Standards for Business Enterprises in China (“**PRC GAAP**”). Investors must exercise caution when using such data to evaluate the Company’s financial condition and results of operations.

PRC GAAP differs in certain respects from International Financial Reporting Standards (“**IFRS**”). For a discussion of certain differences between PRC GAAP and IFRS, see “*Summary of Differences between PRC GAAP and IFRS*”.

FORWARD-LOOKING STATEMENTS

The Issuer and the Company have made forward-looking statements in this Offering Circular regarding, among other things, the Group's financial conditions, future expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations about future events. Although each of the Issuer and the Company believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the risks inherent to the industry in which the Group operates;
- the ability of the Group to successfully implement its business plans and strategies;
- future developments, trends and conditions in the industry and markets in which the Group operates;
- the Group's business prospects and capital expenditure plans;
- the actions and developments of the Group's competitors;
- the Group's financial condition and performance;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business;
- the regulatory environment of the industry in general;
- general political and economic conditions, including those of the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth;
- natural disasters, industrial action, terrorist attacks and other events beyond the control of the Group;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the performance of the obligations and undertakings of third party contractors engaged by the Group;
- changes in global economic conditions, including conditions arising from the COVID-19 pandemic that has affected China, the United States, and other parts of the world; and
- additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Offering Circular.

All statements other than statements of historical facts contained in this Offering Circular constitute “forward-looking statements”. The words “anticipate”, “believe”, “estimate”, “expect”, “intend”, “plan” and similar expressions are intended to identify forward-looking statements. Each of the Issuer and the Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the Issuer’s, the Company’s and the Group’s actual results could differ materially from those anticipated in these forward-looking statements. Accordingly, investors are cautioned not to place undue reliance on these forward-looking statements.

Such statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not guarantees of future performance and some of which may not materialize or may change.

These forward-looking statements speak only as at the date of this Offering Circular. Each of the Issuer and the Company cautions investors not to place undue reliance on these forward-looking statements which reflect its management’s view only as at the date of this Offering Circular. Each of the Issuer and the Company does not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur and the actual results of the Issuer, the Company or the Group could differ materially from those anticipated in these forward-looking statements.

SUMMARY

The summary below is only intended to provide a limited overview of detailed information described elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including the section entitled “Risk Factors” and the Audited Consolidated Financial Statements and related notes thereto, before making an investment decision.

OVERVIEW

The Company is a state-owned enterprise located in Wuxi City, Jiangsu Province, PRC. The Group focuses on the sale and distribution of electricity and steam in Wuxi City, Jiangsu Province. Since its establishment in April 2000, the Company has significantly contributed to the urbanization and infrastructure of Wuxi City, and it is currently the main operation entity of electricity infrastructure in Wuxi City. The Group is entrusted by the relevant local authorities to generate and supply electricity and steam in Wuxi City. It also developed and diversified its businesses over years of strategic operation. The Group primarily engages in two principal business segments: (i) sale and distribution of electricity and (ii) sale and distribution of steam, and certain other supplemental business segments, including (i) supply of hot water; (ii) sale and distribution of by-products; and (iii) sale and distribution of dried coal ash.

As at 31 December 2021, the registered and paid-up capital of the Company was RMB683.03 million. The Company is indirectly controlled by the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室), being the governmental entity responsible for providing financial support to state-owned entities, and managing the value and operation of state-owned assets, in the Xishan Economic and Technological Development Zone.

As at 31 December 2019, 2020 and 2021, the Group’s total assets amounted to RMB5,259.19 million, RMB7,044.18 million and RMB7,718.33 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group recorded operating revenue of RMB494.27 million, RMB479.46 million and RMB577.74 million, respectively. For the same periods, the Group had net profit of RMB283.28 million, RMB282.95 million and RMB268.94 million, respectively.

COMPETITIVE STRENGTHS

The Group believes that its competitive strengths outlined below distinguish itself from its competitors and are important to the success and future development of the Group:

- Well positioned to benefit from the geographical and strategic location and importance and economic growth of Wuxi City, Jiangsu Province and in particular the Xishan Economic and Technological Development Zone (錫山經濟技術開發區);
- Strong and continuous support from the People’s Government of Xishan District, Wuxi City, Jiangsu Province;
- Sound and effective internal risk control and management system; and
- Dedicated experienced management team with sound corporate governance.

BUSINESS STRATEGIES

The Group's objective is to solidify its position as a leading state-owned in the sale and distribution of electricity and steam in Xishan District, Wuxi City, Jiangsu Province, and further expand its operations and management of state-owned assets in Wuxi City, Wuxi City, Jiangsu Province and its investment in other strategic emerging industries. The Group intends to implement the following strategies to achieve this objective:

- Actively focus on the sale and distribution of electricity and steam in Wuxi City, Jiangsu Province and in particular the Xishan Economic and Technological Development Zone (錫山經濟技術開發區);
- Achieve appropriate diversification by exploring and expanding into the businesses of investment in industrial park projects and construction;
- Continue to develop diversified financing channels to maintain well-capitalised growth while enhancing the financial management system;
- Continue to adhere to prudent financial management with stringent risk control and strengthen the Group's corporate governance system; and
- Continue to attract, retain and motivate skilled and talented employees.

RECENT DEVELOPMENT

The COVID-19 Pandemic

The COVID-19 pandemic, which began at the end of 2019, has affected millions of individuals and adversely affected and impaired national economies worldwide, including China. The governmental policies designed to suppress the adverse impacts and reverse the trend of the ever-growing COVID-19 cases also inevitably had the repercussions of limiting economic growth potential. A multitude of cities around the globe, including several cities in China where the Group has properties and operations, imposed and maintained travel restrictions and mandatory tests in a collective effort to contain and curb the spread of the highly infectious COVID-19. Majority if not all related policies contributed to improving and safeguarding public health, but the COVID-19 pandemic still affected our business operation and financial condition as much as it affected those of many other businesses, especially businesses which are by nature labor-intensive. In 2020, the COVID-19 pandemic significantly interfered with the development of the global economy, pushing it to the verge of an irreversible global economic recession. In addition, COVID-19 has led to unpredictable volatility in the global markets across all asset classes, including real estates, stocks, bonds and other commodities. This volatility may foreseeably persist for some time. Several countries are showing signs of resurgence of COVID-19 positives, such signs being stimulated further by numerous COVID-19 variants. In the midst of pending enough academic and clinical studies of the strengths of these variants, further waves of infections are recorded every week if not every day. In the PRC, the impact of the public health crisis is only partially mitigated by the PRC central and local governments, which have taken various measures to detect and treat cases. The PRC governments also introduced various policies to sustain and boost the economy, including the local property markets. While China by far managed to contain the COVID-19, in 2021, the control and vaccination against COVID-19 remain the major factors against economic recovery across the world. Despite dreadful and tragic numbers of positive cases and deaths, worldwide vaccination rates remained stagnant. The Group will continue to closely monitor the evolving situation of COVID-19, so as to evaluate and proactively assess and respond to its impact on our financial position and operating results. Given the uncertainties as to the development of the pandemic at the moment, it is difficult to predict for how long and to what extent the Group may be affected. The Group cannot assure you that the Group's

business, financial condition and results of operations will not be materially and adversely affected. For details, please see “*Risk Factors — Risks relating to the Group and its business — Macro-economic factors have had and may continue to have a material adverse effect upon the Group’s business, financial condition and results of operations*”, “*Risk Factors — Risks relating to the PRC — PRC economic, political and social conditions, as well as government policies, could affect the Group’s business*” and “*Risk Factors — Risks relating to the PRC — The national and regional economies in the PRC and the global capital markets may be adversely affected by natural disasters, acts of God and occurrence of epidemics, including the COVID-19 pandemic*”.

Incorporation of the Issuer in Hong Kong and Acquisition of Equity Interests in China

On 30 May 2022, the Issuer was incorporated in Hong Kong with limited liability. As at the date of this Offering Circular, the Issuer is directly and wholly owned by the Company. On 15 June 2022, the Company acquired the registered capital of RMB495 million in Wuxi Jinkai Asset Management Co., Ltd. (無錫金開資產經營管理有限公司), which then became owned as to 60% by the Company.

SUMMARY OF THE OFFERING

The following contains summary information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in “Terms and Conditions of the Bonds” and “Summary of Provisions Relating to the Bonds held in CCDC” shall have the same meanings in this summary. For a more complete description of the terms of the Bonds, see “Terms and Conditions of the Bonds” in this Offering Circular.

Issuer	Hongkong Yunlin International Co., Limited (香港雲林國際有限公司).
Company	Wuxi Nengda Thermoelectric Co., Ltd. (無錫能達熱電有限公司).
LC Bank	Bank of Shanghai Co., Ltd., Nanjing Branch.
CCDC Code	G228084.
Issue	RMB750,000,000 4.2 per cent. Credit Enhanced Guaranteed Bonds due 2025.
Guarantee	The Company will unconditionally and irrevocably guarantee to and undertake with the Trustee the due and punctual payment of all sums expressed to be payable by the Issuer in respect of the Bonds and under the Trust Deed. The Company’s obligations in respect of the Bonds and Trust Deed are contained in the Guarantee. The Company undertakes to (A) cause to be submitted an application for registration with the SAFE the Guarantee in accordance with, and within the time period prescribed by, the Provision on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the “ Cross-border Security Registration ”), and any implementation rules as issued by SAFE from time to time; (B) use all reasonable endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in Condition 3 (<i>Covenants</i>)); and (C) comply with all applicable PRC laws and regulations in connection with the issuance of the Bonds and the Guarantee.
Issue Price	100 per cent.
Form and Denomination	The Bonds will be issued in registered form in the denomination of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.

Interest	The Bonds bear interest on their outstanding principal amount from and including 16 December 2022 at the rate of 4.2 per cent. per annum, payable semi-annually in equal instalments in arrear on 16 June and 16 December in each year, commencing on 16 June 2023.
Issue Date	16 December 2022.
Maturity Date	16 December 2025.
Standby Letter of Credit	<p>The Bonds will have the benefit of the Standby Letter of Credit issued by the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Bonds. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or otherwise as permitted under the Standby Letter of Credit) sent by or on behalf of the Trustee by the Delegate (as defined in Condition 1(c) (<i>Standby Letter of Credit</i>)) to the LC Bank in accordance with the terms of the Standby Letter of Credit (the “Demand”) stating that (i) the Issuer has failed to comply with Condition 1(e) (<i>Pre-funding</i>) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or has failed to provide the Required Confirmations (as defined below) in accordance with Condition 1(e) (<i>Pre-funding</i>) or (ii) an Event of Default (as defined in Condition 8 (<i>Events of Default</i>)) has occurred and the Trustee has given notice to the Issuer and/or the Company that the Bonds are immediately due and payable in accordance with Condition 8 (<i>Events of Default</i>).</p> <p>Only one drawing is permitted under the Standby Letter of Credit. Such drawing on the Standby Letter of Credit will be payable in Renminbi in immediately available funds to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. All amounts received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.</p> <p>The payment made under the Standby Letter of Credit in respect of any amount payable under the Conditions or in connection with the Bonds, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer (failing whom the Company) in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds and the obligations of the Company under the Guarantee.</p>

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in Renminbi and shall not in any circumstances exceed RMB772,710,000, an amount representing (i) the aggregate principal amount of the Bonds plus interest payable for one interest period (being six months) in accordance with Condition 4 (*Interest*) and (ii) RMB6,960,000, being the maximum amount payable under the Standby Letter of Credit for any unpaid fees, expenses and other amounts payable to the Trustee in connection with the Bonds, the Guarantee, the Trust Deed and the Agency Agreement (the "**Maximum Limit**"). The Standby Letter of Credit expires at 5:30 p.m. (Hong Kong time) on 16 January 2026.

See "*Terms and Conditions of the Bonds — Form, Denomination, Status, Standby Letter of Credit and Pre-funding — Standby Letter of Credit*" and "*Appendix A — Form of Irrevocable Standby Letter of Credit*".

Pre-funding

In order to provide for the payment of any amount in respect of the Bonds (other than the Mandatory Redemption Amount (as defined below) payable under Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten Business Days (the "**Pre-funding Date**") prior to the due date for such payment under the Conditions:

- (i) unconditionally pay or procure to be paid the Relevant Amount in immediately available and cleared funds into the Pre-funding Account; and
- (ii) deliver to the Trustee and the Principal Paying Agent (x) a Payment and Solvency Certificate (as defined below in this Condition 1) signed by one Authorised Signatory, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the relevant Pre-funding Date in full to the Principal Paying Agent no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee as soon as reasonably practicable upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with the Conditions.

So long as any Bond is outstanding, save with the approval of the Trustee or any Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, the Issuer shall not make (or cause to be made on its behalf) any withdrawal from the Pre-funding Account under any circumstances (other than in accordance with the Required Confirmations or in accordance with the Conditions), and the Pre-funding Account Bank shall be entitled to disregard any instruction to effect any such withdrawal from the Issuer (or any person acting on its behalf).

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (the “**Pre-funding Failure**”), the Trustee shall (x) as soon as reasonably practicable give notice substantially in the form set out in the Trust Deed (the “**Pre-funding Failure Notice**”) to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*) to occur as a result of the Pre-funding Failure and (y) no later than 5:00 p.m. (Hong Kong time) on the second Business Day following the Pre-funding Date, issue a Demand to the LC Bank (which will be presented by the Trustee or on behalf of the Trustee by the Delegate) for the Mandatory Redemption Amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*)) together with any unpaid fees, expenses and other amounts payable to the Trustee in connection with the Bonds, the Guarantee, the Trust Deed and/or the Agency Agreement, being an amount not exceeding the Maximum Limit, *provided that*, in accordance with the terms of the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT sent on its behalf (or otherwise as permitted under the Standby Letter of Credit).

After receipt by the LC Bank of such Demand on or before 5:30 p.m. (Hong Kong time) on a Business Day, the LC Bank shall on or before 10:00 a.m. (Hong Kong time) on the fourth Business Day immediately following such Business Day (or, if such Demand is received after 5:30 p.m. (Hong Kong time) on a Business Day, then by 10:00 a.m. (Hong Kong time) on the fifth Business Day immediately following such Business Day), pay to, or to the order of, the Trustee the amount in Renminbi specified in the Demand to the account specified in the Demand.

See “*Terms and Conditions of the Bonds — Form, Denomination, Status, Status, Standby Letter of Credit and Pre-funding — Pre-funding*” and “*Appendix A — Form of Irrevocable Standby Letter of Credit*”.

Status of the Bonds The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* among themselves (and without any preference or priority among themselves) and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law and regulations that are both mandatory and of general application.

Status of the Guarantee The Guarantee constitutes direct, unsubordinated, unconditional and (subject to Condition 3(a) (*Negative Pledge*)) unsecured obligations of the Company which will at all times rank *pari passu* among themselves (and without any preference or priority among themselves) and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

Events of Default Upon the occurrence of certain events described under “*Terms and Conditions of the Bonds — Events of Default*”, including without limitation, certain events of default in respect of the LC Bank, the Trustee at its discretion may, and if so requested in writing by Bondholders of at least one-quarter of the aggregate principal amount of the Bonds outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution of the Bondholders, shall (subject to the Trustee having been indemnified and/or pre-funded and/or secured to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest without further action or formality.

Taxation All payments of principal, premium (if any) and interest in respect of the Bonds, the Guarantee and the Trust Deed by or on behalf of the Issuer or the Company shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone), or, in each case, any political subdivision thereof or any authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or the Company by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) at the aggregate rate applicable on 9 December 2022 (the “**Applicable Rate**”), the Issuer or the Company (as the case may be) will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or the Company (as the case may be) is required to make such deduction or withholding by or within Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone) in excess of the Applicable Rate, the Issuer shall pay such additional amounts (the “**Additional Amounts**”) as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, subject to certain exceptions. See “*Terms and Conditions of the Bonds — Taxation*”.

Scheduled Redemption Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 December 2025, Subject as provided in Condition 6 (*Payments*).

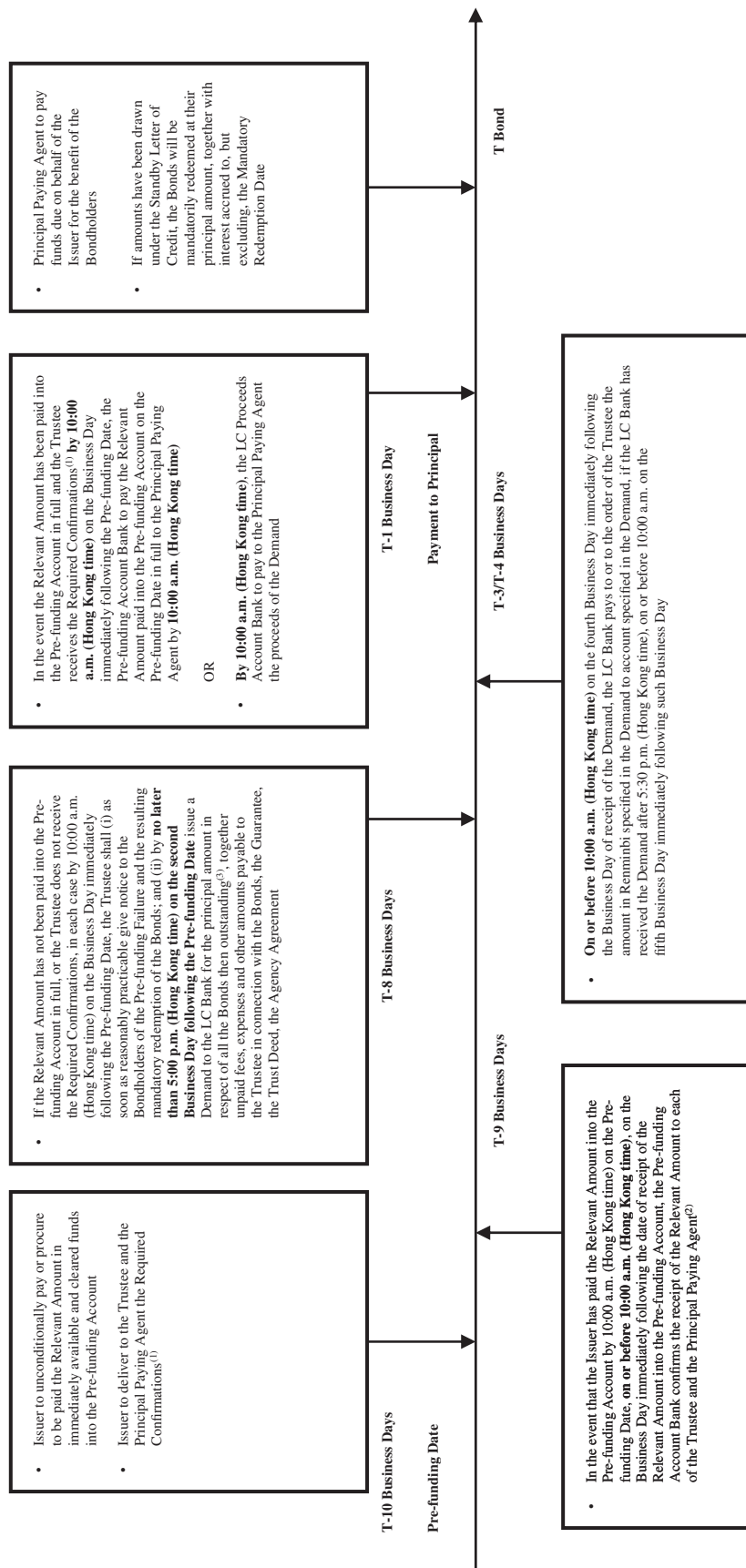
Redemption for Tax Reasons The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued to (but not including) the date fixed for redemption, if, immediately before giving of such notice, the Issuer satisfies the Trustee that (i) (A) the Issuer has or will become obliged to pay Additional Amounts (as provided or referred to in Condition 7 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 December 2022; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or (ii) (A) the Company has or will become obliged to pay Additional Amounts (as provided or referred to in Condition 7 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 December 2022; and (B) such obligation cannot be avoided by the Company taking reasonable measures available to it *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due. See “*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Reasons*”.

Redemption for a Relevant Event	At any time following the occurrence of a Change of Control or a Non-Registration Event, the holder of any Bond will have the right, at such holder’s option, to require the Issuer to redeem all but not some only of that holder’s Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together with interest accrued to, but excluding, such Put Settlement Date). See “ <i>Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for a Relevant Event</i> ”.
Mandatory Redemption upon Pre-funding Failure	The Bonds shall be redeemed, in whole, but not in part, at their principal amount (the “ Mandatory Redemption Amount ”) on the Interest Payment Date failing immediately after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 1(e) (<i>Pre-funding</i>) (the “ Mandatory Redemption Date ”), together with interest accrued to, but excluding, the Mandatory Redemption Date.
	If the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond under Condition 5(c) (<i>Redemption for Change of Control</i>) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 1(e) (<i>Pre-funding</i>) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, all but not some only of the Bonds then outstanding shall be redeemed at the Mandatory Redemption Amount in accordance with Condition 5(d) on the Put Settlement Date, together with interest accrued to but excluding such Put Settlement Date, <i>provided that</i> if such Pre-funding Failure occurs and concurrently a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 4 (<i>Interest</i>) or Condition 5(a) (<i>Scheduled redemption</i>), the Put Settlement Date shall be the Mandatory Redemption Date.
Further Issues	The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date, the issue price, the first payment of interest, and the timing for completion of the NDRC Post-issue Filing and the Cross-border Security Registration and the making of the notifications in respect thereof) so as to form a single series with the Bonds. See “ <i>Terms and Conditions of the Bonds — Further Issues</i> ”.
Governing Law and Jurisdiction .	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	Bank of Communications Trustee Limited.
Principal Paying Agent, Registrar and Transfer Agent .	Bank of Communications Co., Ltd. Hong Kong Branch.

LC Proceeds Account Bank and Pre-funding Account Bank	Bank of Communications (Hong Kong) Limited.
Clearing Systems	The Bonds will initially be issued in uncertificated book-entry form held in CCDC with CCDC entered in the register of the Bonds as the sole registered holder on behalf of the persons notionally entitled thereto. Beneficial interests in the Bonds will be shown on, and transfers thereof will be effected only through, records maintained by CCDC. A custodian recognised by CCDC will, through its account with CCDC, hold beneficial interests in the Bonds on behalf of investors located outside the PRC and will maintain sub-accounts in CCDC showing such beneficial interests. Except as described in this Offering Circular, definitive certificates for the Bonds will not be issued in exchange for beneficial interests in the Bonds.
Listing	Application has been made to the MOX for the listing of the Bonds by way of debt issues to MOX Professional Investors only.
Use of Proceeds	See “ <i>Use of Proceeds</i> ”.

A SUMMARY OF PAYMENT ARRANGEMENTS ON EACH SCHEDULED DUE DATE UNDER THE BONDS

The following diagram sets forth a summary of the pre-funding arrangements under the Bonds and the drawing arrangements in respect of the Standby Letter of Credit on each scheduled due date under the Bonds. The following diagram is not intended to be comprehensive. This diagram should be read in conjunction with the Conditions, the Trust Deed and the Agency Agreement referred to therein and "Appendix A — Form of Irrevocable Standby Letter of Credit". Words and expressions defined in the Conditions shall have the same meaning in this summary.



Notes:

- (1) The Required Confirmations consist of: (a) a Payment and Solvency Certificate signed by any Authorised Signatory of the Issuer; and (b) a copy of the irrevocable payment instruction setting forth the request from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Amount paid into the Pre-funding Account on the Pre-funding Date in full to the Principal Paying Agent by no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment.
- (2) The confirmation of receipt or notification of non-receipt, as the case may be, from the Pre-funding Account Bank to the Trustee and the Principal Paying Agent shall be by way of authenticated SWIFT or other means of communication as the Principal Paying Agent may in its discretion agree with the Pre-funding Account Bank.
- (3) The Trustee need not physically present the Demand under the Standby Letter of Credit to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT.

SUMMARY HISTORICAL FINANCIAL INFORMATION OF THE GROUP

The following table sets forth the summary consolidated financial information of the Group as at and for the periods indicated.

The Audited Consolidated Financial Statements (which have been audited by the Auditors) have been prepared and presented in Chinese in accordance with PRC GAAP.

*The selected financial information of the Group as at and for the years ended 31 December 2019, 2020 and 2021 have been derived from the English translation of such consolidated financial statements. The English translation of such consolidated financial statements, the auditors' reports and the related notes (the "**Translated Financial Statements**") have been included elsewhere in this Offering Circular.*

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, advisers or affiliates has independently verified or checked the accuracy of the Translated Financial Statements and can give no assurance that the information contained in the Translated Financial Statements is accurate, truthful or complete. Potential purchasers must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Group.

The information set out below should be read in conjunction with, and is qualified in its entirety by reference to, the Translated Financial Statements included elsewhere in this Offering Circular. Historical results of the Group are not necessarily indicative of results that may be achieved for any future period.

The Audited Consolidated Financial Statements have been prepared in accordance with the PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. Accordingly, potential investors must exercise caution when using such consolidated financial statements to evaluate the Group's financial condition and results of operations. For a summary of certain differences, see "Summary of Significant Differences between PRC GAAP and IFRS".

SUMMARY OF AUDITED CONSOLIDATED BALANCE SHEET

	As at 31 December		
	2019	2020	2021
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
Current assets:			
Cash and bank balances	496,451,618.67	1,078,150,607.32	1,036,200,650.86
Accounts and notes receivables	47,431,265.28	44,311,084.11	8,997,905.26
Accounts receivables financing	–	–	11,354,032.90
Prepayments	10,818,074.99	26,845,723.36	11,748,145.27
Other receivables	4,123,337,507.21	5,306,466,156.37	6,066,923,308.83
Inventories	9,174,818.29	6,816,521.69	10,229,747.36
Other current assets	–	–	5,921,135.49
Total current assets	4,687,213,284.44	6,462,590,092.85	7,151,374,925.97
Non-current assets:			
Financial assets available for sale	7,890,000.00	7,890,000.00	–
Long-term equity investment	10,575,813.97	11,553,155.82	11,553,991.53
Other non-current financial assets	–	–	7,890,000.00
Fixed assets	430,775,467.33	493,540,661.32	474,208,186.70
Projects under construction	115,584,478.86	61,868,644.27	67,371,897.80
Intangible Assets	6,440,000.00	6,074,000.00	5,708,000.00
Deferred income tax assets	708,630.29	666,043.71	218,169.49
Total non-current assets	571,974,390.45	581,592,505.12	566,950,245.52
Total assets	5,259,187,674.89	7,044,182,597.97	7,718,325,171.49
Current liabilities:			
Short-term borrowing	897,000,000.00	350,000,000.00	975,000,000.00
Notes payable	5,000,000.00	–	–
Accounts payable	36,905,005.39	46,509,048.43	42,395,530.43
Receipts in advance	18,710,480.32	20,434,401.69	–
Contractual liabilities	–	–	27,848,863.50
Taxes payable	33,501,893.71	36,845,561.16	24,595,959.75
Other payable	628,359,512.39	2,291,068,099.13	2,350,050,514.53
Non-current liabilities payable within one year	253,333,333.34	245,333,333.34	439,333,333.34
Other current liabilities	–	–	2,506,397.72
Total current liabilities	1,872,810,225.15	2,990,190,443.75	3,861,730,599.27
Non-current liabilities:			
Long-term borrowing	198,000,000.00	196,000,000.00	–
Long-term payables	501,666,666.65	908,333,333.31	665,000,000.00
Total non-current liabilities	699,666,666.65	1,104,333,333.31	665,000,000.00
TOTAL LIABILITIES	2,572,476,891.80	4,094,523,777.06	4,526,730,599.27
Shareholder's equity:			
Capital reserve	251,205,500.00	251,205,500.00	251,205,500.00
Special reserve	–	–	–
Paid-in capital	683,028,590.02	683,028,590.02	683,028,590.02
Surplus reserve	175,247,669.24	203,542,473.02	230,436,048.15
Undistributed profits	1,577,229,023.83	1,811,882,257.87	2,026,924,434.05
Total owners' equity	2,686,710,783.09	2,949,658,820.91	3,191,594,572.22
Total liabilities and owners' equity	5,259,187,674.89	7,044,182,597.97	7,718,325,171.49

SUMMARY OF AUDITED CONSOLIDATED INCOME STATEMENT

	Years ended 31 December		
	2019	2020	2021
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
I. Total operating revenue	494,265,933.92	479,460,867.69	577,743,614.57
Including: operating revenue	494,265,933.92	479,460,867.69	577,743,614.57
II. Total operating costs			
Including: Operating costs	370,376,935.95	354,813,605.53	525,013,379.15
Tax and others	1,934,280.19	2,660,351.48	1,717,029.04
Administrative expenses	7,963,617.45	8,942,109.61	9,111,824.52
Financial expenses	(13,438,505.73)	227,752.14	(1,460,561.53)
Including: Interest expenses	–	22,000,050.00	8,989,009.75
Interest income	13,455,906.12	21,800,140.80	10,471,617.34
Add: Other income	190,310,000.00	198,000,000.00	235,000,000.00
Investment income	(179,746.23)	977,341.85	835.71
Impairment gains/(losses)	(43,424.99)	170,346.31	1,791,496.85
III. Operating profit	317,516,434.84	311,964,737.09	280,154,275.95
Add: Non-operating revenue	27,600.06	850,038.44	4,278,172.43
Less: Non-operating expenses	3,664,680.41	1,550,725.10	1,783,059.73
IV. Gross profit	313,879,354.49	311,264,050.43	282,649,388.65
Less: Income tax expenses	30,598,190.19	28,316,012.61	13,713,637.34
V. Net profit	283,281,164.30	282,948,037.82	268,935,751.31
Net profit from continuing operation	283,281,164.30	282,948,037.82	268,935,751.31
Net profit attributable to parent company	–	–	–
Net profit attributable to non-controlling interests	–	–	–
VI. Total comprehensive income	283,281,164.30	282,948,037.82	268,935,751.31
Total comprehensive income attributable to parent company	–	–	–
Total comprehensive income attributable to non-controlling interests	–	–	–

SUMMARY OF AUDITED CONSOLIDATED CASH FLOW STATEMENT

	Years ended 31 December		
	2019	2020	2021
	(RMB) (audited)	(RMB) (audited)	(RMB) (audited)
Net cash flows from operating activities	413,047,903.94	775,109,276.99	(339,595,733.49)
Net cash flows from investing activities	(41,056,815.94)	(2,422,905.00)	(19,077,289.66)
Net cash flows from financing activities	(654,723,465.40)	(190,987,383.34)	(52,619,765.75)
Net increase in cash and cash equivalents	(282,732,377.40)	581,698,988.65	(411,292,788.90)
Ending balance of cash and cash equivalent	496,451,618.67	1,078,150,607.32	666,857,818.42

RISK FACTORS

Prior to making any investment decision, prospective investors should consider carefully all of the information contained in this Offering Circular, including the risks and uncertainties described below. The businesses, financial conditions or results of operations of the Group could be materially and adversely affected by any of these risks. Each of the Issuer and the Company believes that the following factors may affect the Issuer's ability to fulfil its obligations under the Bonds. Additional considerations and uncertainties not presently known to the Issuer or the Company or which they currently deem immaterial may also have an adverse effect on an investment in the Bonds. All of these factors are contingencies which may or may not occur and each of the Issuer and the Company is not in a position to express a view on the likelihood of any such contingency occurring.

Factors which any of the Issuer and the Company believes may be material for the purpose of assessing the market risks associated with the Bonds are also described below. Each of the Issuer and the Company believes that the factors described below represent the principal risks inherent in investing in the Bonds, but the inability of the Issuer to repay principal, interest or other amounts or fulfil other obligations on or in connection with the Bonds may occur for other reasons and each of the Issuer and the Company does not represent that the statements below regarding the risks of investment in the Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

GENERAL RISKS RELATING TO THE GROUP AND ITS BUSINESSES

The Group's business, financial condition, results of operations and prospects are heavily dependent on the level of economic development in the Jiangsu Province, and in particular, Xishan District in Jiangsu Province.

The Group's businesses and assets are highly concentrated in Jiangsu Province, and in particular, Xishan District in Jiangsu Province. Therefore, its business, financial condition, results of operations and prospects have been, and will continue to be, heavily dependent on the social conditions, local government policies and level of economic activity in Jiangsu Province, and in particular, Xishan District in Jiangsu Province. Xishan District and Wuxi City have experienced a prolonged period of rapid economic growth.

In recent years, however, there has been a slowdown in the growth of the PRC's economic development. Primarily as a result of the coronavirus (COVID-19) pandemic, the rate of economic growth in the PRC has been experiencing a slowdown, and China's GDP increased only by 2.3% in 2020 from 2019. In addition, any future escalation of the ongoing trade war between the United States and China or ongoing impact of the coronavirus may negatively impact the growth in both the Chinese economy and the global economy as a whole. Although the PRC government has implemented a number of measures to address the slowdown, the Group cannot assure you that these measures will be successful. It is difficult to predict how economic development in the Jiangsu Province will be affected by such slowdown in the growth of the PRC economy, and there can be no assurance that the policies and measures adopted by the PRC government will be effective in stimulating the recovery of the PRC economy. There can be no assurance that the level of economic development in the Jiangsu Province will continue to grow at a rate higher than or equal to the past rate of growth, if at all. The Group may establish or invest in any new businesses outside the Jiangsu Province in the future, but the Group expects that its future business and operations will continue to be concentrated in the Jiangsu Province, in particular, Xishan District, Wuxi City, Jiangsu Province. If economic growth slows down, adverse changes in social conditions or local government policies arise, or any severe natural disasters or catastrophic events occur in the Jiangsu Province, in particular Xishan District, Wuxi City, Jiangsu Province, the Group's business, financial condition, results of operations and prospects could be materially and adversely affected.

The Group's business and prospects to a large extent depend upon the budget or spending of Xishan Economic and Technological Development Zone State-owned Asset Management Office on the sale and distribution of electricity and steam.

The Company is indirectly controlled by Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) under the PRC government, and the Issuer is directly and wholly owned by the Company. The Company is designated by the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) to carry out the sale and distribution of electricity and steam in and around the county. As many of these businesses operate for the public interest, governmental agencies and state-owned enterprises are among the Group's major customers and the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) funds the Group's businesses to a large extent. The Group's business and prospects have therefore historically been, and may continue to be, materially affected by the budget or public spending of the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) on the sale and distribution of electricity and steam in Xishan District, Wuxi City, Jiangsu Province.

There are a number of factors affecting the budget and spending of Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) on urbanization. The key factors include government policies and priority relating to the development of different industries and the fiscal and monetary policies of the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室). Such budget and spending are also affected by the government income and the general economic conditions in the PRC and in the Jiangsu Province. Any worsening of the overall economic conditions of the PRC or the Jiangsu Province may affect the economic development of Xishan District, Wuxi City, Jiangsu Province and the fiscal condition of the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室), which may in turn materially and adversely affect the budget and spending of the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) on the sale and distribution of electricity and steam in Xishan District, Wuxi City, Jiangsu Province. If the budget and spending of the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) on the sale and distribution of electricity and steam decreases, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

Xishan Economic and Technological Development Zone State-owned Asset Management Office can exert significant influence on the Group including the scope of its operations, investment decisions and dividend policy, which may not be in the Group's best interests.

The Company is indirectly controlled by Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) under the PRC government and, accordingly, Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) can exert significant influence on the Group's major business decisions and strategies, including the scope of its operations, investment decisions and dividend policy in a manner beneficial to Xishan District, Wuxi City, Jiangsu Province as a whole, but which may not necessarily be in the Group's best interests. There is no assurance that Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) would always make decisions in the Group's best interests or with the aim of maximizing the Group's profits. For example, the Group may from time to time be required to dispose of certain of its assets, which may not necessarily serve the Group's best interest. There is no assurance that such disposals would not have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Xishan District Economic and Technological Development Zone

State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) could also change its policies, plans, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the PRC's economic, political and social environment, its projections of population and/or employment growth. Any such changes could potentially have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Any fluctuation or reduction in the demand for and sale and distribution of electricity and steam could affect the Group's results of operations.

The success of the Group depends on the demand for and sale and distribution of electricity and steam in Xishan District, Wuxi City where the Company operates. As the Chinese economy has been shifting from an energy-intensive manufacturing and investment-led model to a less energy-intensive and more consumer-driven model, the growth of the country's, including Wuxi City's, demand for power has declined. Any further decline could have a material and adverse effect on our business, financial condition and results of operations. The sale of our electricity and steam is also subject to demand for electricity and steam in the local markets and of the customers we serve. We cannot assure you that the demand for electricity in the markets and of the customers we serve will not decline because of changing local economic conditions or other factors. Nor can we assure you that the supply of electricity and steam from other power stations and suppliers in the markets we serve will not increase. Any such increase in the supply of electricity and steam in the markets we serve could result in an imbalance between the supply of and demand for electricity and steam in the market, which could affect the utilization rate and power generation of the generating units that we operate. If the sale and distribution of electricity and steam decreases due to any of these factors, our revenue will decrease accordingly, and this may cause a material and adverse effect on our business, financial condition and results of operations.

The Company's sale and distribution of electricity and steam is subject to the PRC government's price control regime and the Company may not be able to pass on its increased costs to its customers.

The Group's sale and distribution of electricity and steam depends at least on two factors, the units sold and the selling price. The selling price of the Company's electricity is set by the electricity price management authorization department (電價管理有權部門) and the selling price of the Company's steam is set by Wuxi City's NDRC every quarter having regard to the coal and heat price linking mechanism (煤熱價格聯動機制) and any changes in the price of coal. As a result, the Company has no control over how much it sells its electricity and steam, and its revenue depends on governmental control and restrictions over prices. There can be no assurance that the relevant government authority will increase the selling price to take into account any future increase in the operation and costs of raw materials, or that it will not lower the existing selling price. If the Group is not able to pass on the impact of any price adjustments to its customers in a timely manner, the Group's businesses, financial conditions and results of operations may be materially and adversely affected.

The Group may face short-term solvency pressure, which may affect its ability to generate sufficient cash to satisfy its outstanding and future debt obligations.

The Group has significant amount of short-term debt which exposes the Group to liquidity risks. As of 31 December 2021, the short-term borrowings of the Group were approximately RMB975 million and the Group had non-current liabilities due within one year of approximately RMB439.33 million, which together accounted for 31.24 per cent. of the total liabilities of the Group. The Group continually reviews its current and expected future funding requirements and evaluates and engages in discussions with financial institutions, from time to time, on proposals regarding different sources of funding. If any member of the Group incurs additional short-term debt, the risks that the Group faces as a result of its already substantial short-term indebtedness and leverage could intensify.

Any mismatch of the maturity profile of the Group's assets and liabilities will impact its liquidity, debt repayment ability and financing capabilities, which could have a material and adverse effect on its business, results of operations, financial condition and prospects.

The Group's business is capital-intensive which requires substantial working capital and stable financing channels to support its day-to-day business operations. In addition to the cash generated from its business operations, the Group's major funding sources include borrowings since its inception. The Group maintained a relatively high level of liabilities-to-assets ratio and a significant portion of its accounts receivables are restricted assets which is not freely disposable for debt repayment. The Group strives to effectively match the maturity profile of its assets and liabilities to manage liquidity risk. Since its inception, the Group did not experience any liquidity difficulties due to any maturity mismatch between assets and liabilities. However, there can be no assurance that the Group will not experience any such liquidity difficulty due to maturity mismatch in the future. Failure to effectively match the maturity profile of the Group's assets and liabilities may lead to a liquidity shortage, or the Group's inability to repay its matured debts or obtain additional financing. If any of the above occurs, the Group's business, results of operations, financial condition and prospects may be materially and adversely affected.

PRC economic, political and social conditions as well as government policies could adversely affect the Group's business, and state ownership or control over the Company or the Issuer does not provide assurance of the Company's nor the Issuer's financial condition.

Substantially all of the Group's assets are located in the PRC, and all of the Group's operating revenue is derived from the Group's operations in the PRC. Accordingly, the Group's financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasizing on market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business. The Group's operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the PRC government may decide to change its current policies with respect to the Group's core business industries, and, as such, this could have adverse impact on the Group's business and results of operations. In the past, the PRC government has implemented administrative measures to restrain economic growth rates that were considered unsustainably high and to calm inflation fears. Such actions may result in an economic slowdown which could have negative macro-economic effects in the PRC and PRC-related markets. The Group's operating results and financial condition may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. In addition, the growth of the Group's projects and business operations depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes in measures which might be introduced to control inflation, changes in the rate or method of taxation, the imposition of additional restrictions on currency conversion and the imposition of additional import restrictions. Even if the Company is indirectly controlled by Xishan District Economic and

Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) under the PRC government, and the Issuer is directly and wholly owned by the Company, there can be no assurance of the Company's nor the Issuer's financial condition.

PRC regulations on the administration of fiscal debts of local governments may have a material impact on the Group's financing model, business model and business scope.

The Group's results of operations and financial condition may be affected by changes in the regulation of the PRC government concerning local government debts. For example, in accordance with the Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (Yin Fa [2009] No. 92) (《中國人民銀行、中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見》(銀發[2009]92號)) (“**Circular 92**”) issued jointly by the PBOC and the China Banking Regulatory Commission (which was merged with the China Insurance Regulatory Commission to form the China Banking and Insurance Regulatory Commission in March 2018) (“**CBIRC**”) on 18 March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise notes and medium-term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Circular of the State Council on Relevant Issues Concerning Strengthening the Management of Financing Platform Companies of Local Governments (Guo Fa [2010] No. 19) (《國務院關於加強地方政府融資平台公司管理有關問題的通知》(國發[2010]19號)) (“**Circular 19**”) and the Circular of the General Office of the NDRC on Relevant Issues Concerning Further Regulating the Issuance of Bonds of Local Government Investment and Financing Platform Enterprise (Fa Gai Ban Cai Zi Jin [2010] No. 2881) (《國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知》(發改辦財經[2010]2881號)) (“**Circular 2881**”) were separately promulgated on 10 June 2010 and 20 November 2010, respectively. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platform. According to Circular 2881, the financing vehicles of a local government, such as the Company, must rely on their internal operating cash flow to finance the payment of more than 70% of the cash requirements for repaying their corporate bonds issued in the PRC. If income from the construction of public interest projects represents more than 30% of their total income, the financing vehicles should provide the authorities that review the application of corporate bonds issuance with information relating to the balance of the local government's debts and other detailed information to demonstrate their repayment ability. In addition, it reinforces the requirements under Circular 19 which prohibit local governments from mortgaging state-owned assets or otherwise creating security interests over public funds to secure the debts of its financing vehicles, directly or indirectly. As at the date of this Offering Circular, the Group has not received any notice from any governmental authority that it is not in compliance with Circular 2881.

On 21 September 2014, the State Council released Several Opinions of the State Council on Strengthening the Administration of Local Government Debts (Guo Fa [2014] No. 43) (《國務院關於加強地方政府性債務管理的意見》(國發[2014]43號)) (“**Circular 43**”). In accordance with Circular 43, financing platform companies shall no longer function as a financing vehicle of the local government or incur new government debts. New public interest projects of a local government that are not for profit earning, such as the sale and distribution of electricity and steam, should not be financed by the investment vehicles of the local government in the form of corporate bond issuances. Instead, local governments should finance the development of such public interest projects by issuance of government bonds. Public interest projects that are profit earning, such as the construction of a non-toll free highway, may be developed either by private investors independently or by a special purpose company jointly set up by the local government and private investors. Such private investors and special purpose companies shall invest in accordance with market-oriented principles and development of the projects may be financed by bank loans, corporate bonds, project revenue bonds and asset-backed securitization. Furthermore, private investors and the special purpose companies shall bear the obligation to repay their debts and the local government shall not be liable for any of the private investors' or the special purpose companies' debts. Circular 43 also sets forth the general principles of dealing with existing debts of

financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments. There are a few stray cases where certain debts of the local financing platforms were classified as non-government debts since the release of Circular 43. However, whether the factual basis for such individual cases is comparable or relevant to other local governments' financing platforms or not is unclear, and different local governments' interpretation and application of Circular 43 may vary from one another. It is unclear what impact Circular 43 has on the existing government debts of the local financing platforms in the PRC.

In addition, on 23 October 2014, MOF promulgated the Methods to Clear up and Clarify the Existing Fiscal Debt of Local Governments and Integrate it into Budgetary Management (Cai Yu [2014] No. 351) (《地方政府存量債務納入預算管理清理甄別辦法》(財預[2014]351號)) (“**Circular 351**”) based on Circular 43. Circular 351 further requires local governments to clear up the existing debts of the financing platforms of the local governments and classify such existing fiscal debts of the local governments into government debts and non-government debts. On 9 November 2016, MOF promulgated the Circular on Local Government General Debt Budget Management (Cai Yu [2016] No. 154) (《地方政府一般債務預算管理辦法》(財預[2016]154號)) (“**Circular 154**”) and the Circular on Local Government Special Debt Budget Management (Cai Yu [2016] No. 155) (《地方政府專項債務預算管理辦法》(財預[2016]155號)) (“**Circular 155**”), which aim to realise the monitoring of the entire process of borrowing, using and repaying local governments debts, enhance the transparency of local government debts, and strengthen the supervision of local government debt management by central government. Circular 154 and Circular 155 clarify the upper limit of local government debt, budget preparation and approval process, and provide that debts that are not in the form of government bonds shall be included in budget management.

On 11 May 2015, the Opinion on the Proper Solution of the Follow-up Financing Issues for Projects under Construction of Financing Platform of Local Governments issued jointly by MOF, the PBOC and CBRC (Guo Bank Fa [2015] No. 40) (《財政部人民銀行銀監會關於妥善解決地方政府融資平台公司在建項目後續融資問題意見》(國辦發[2015]40號)) (“**Circular 40**”) was promulgated by the General Office of State Council. In accordance with Circular 40, local governments at all levels and banking financial institutions shall properly deal with follow-up financing issues for projects under construction of financing platform companies. Projects under construction refer to projects that have started construction upon the completion of examination, approval or filing procedures in accordance with relevant regulations manuscript by competent investment authorities before the date when Circular 43 was promulgated.

In addition, MOF, together with the NDRC, the PBOC, China Securities Regulatory Commission, CBRC and the Ministry of Justice of the PRC, released, the Circular on Further Regulating the Debt Financing Activities of Local Governments (Cai Yu [2017] No. 50) (《關於進一步規範地方政府舉債融資行為的通知》(財預[2017]50號)) (“**Circular 50**”) to emphasise the principles and policies set out in Circular 43 in April 2017. Also, the PRC government issued the Circular of the Ministry of Finance on Issues relevant to the Regulation on the Financing Activities Conducted by Financial Institutions for Local Governments and State-Owned Enterprises (Cai Jin [2018] No. 23) (《財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知(財金[2018]23號)》) (“**Circular 23**”), effective on 28 March 2018, which aims to increase the responsibility of the PRC state-owned financial institutions to investigate into the financial independence and liquidity level of the local government financing vehicles that they assist in fundraising. On 11 May 2018, the NDRC and MOF jointly released the Circular of the National Development and Reform Commission and the Ministry of Finance on the Improvement of Market Regulatory Regime and Strict Prevention of Risks Relating to Foreign Debt and Local Government Indebtedness (Fa Gai Wai Zi [2018] No. 706) (《關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知》(發改外資[2018]706號)) (“**Circular 706**”). Circular 706 reiterates the PRC government's position to isolate the debt of local government financing vehicles from the relevant local government and to control the increase of the local governments' debt. Circular 706 requires companies that plan to

borrow medium and long-term foreign debt to establish a sound and standardised corporate governance structure, management decision-making mechanism and financial management system. It further requires that the assets owned by such companies should be of good quality and clear ownership and it is forbidden to include public interest assets in corporate assets. In particular, public assets such as public schools, public hospitals, public cultural facilities, parks, public squares, office buildings of government departments and public institutions, municipal roads, non-toll roads, non-operating water conservancy facilities, no-charge pipe network facilities and other public assets and the usage rights of reserve land cannot be counted towards the Company's assets for the purposes of issuing medium and long-term foreign debts.

On 13 September 2018, the Guiding Opinions on Strengthening Asset-Liability Constraints on State-owned Enterprises (《關於加強國有企業資產負債約束的指導意見》) (the “**Guiding Opinions**”) was promulgated by the General Office of the CPC Central Committee and the General Office of State Council and become effective on the same date. Pursuant to the Guiding Opinions, the average debt ratio of state-owned enterprises shall decrease by approximately 2 percentage points starting from the end of 2017 and by the end of 2020, and thereupon the debt ratio of state-owned enterprises shall be maintained basically at the average level of enterprises of the same size in the same industry. The Guiding Opinions also set forth the basic principles and indicating standards of constraining the debt ratio of state-owned enterprises.

The PRC government released several additional regulations and rules relating to the financing vehicles of local governments in the PRC. The PRC government may continue to release new policies or amend existing ones to control the increase in local government debts in the PRC. The implementation and interpretation of the legislations, regulations and rules by the PRC central government and different local governments may vary from one to the other. It is uncertain how they will be implemented and how it will affect the Group's business and financial performance in the future. There is also no assurance that the Group's financing model and business model will not be materially affected by future changes in the regulatory regime concerning local government fiscal debts and the financing platforms of local governments.

The PRC government (including but not limited to the provincial government of the Jiangsu Province, the People's Government of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office) has no obligation to pay any amount under the Bonds as payment obligations under the Bonds remain the obligation of the Issuer and the Company.

The PRC government (including but not limited to the provincial government of the Jiangsu Province, the People's Government of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室)) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer. The payment obligations under the Bonds remain the sole obligation of the Issuer. This position has been reinforced by the Circular 23, the Circular 706 and the Circular of the General Office of the NDRC on Relevant Requirements for Record-filing and Registration of Issuance of Foreign Debts by Local State-Owned Enterprises (《國家發展改革委辦公廳關於對地方國有企業發行外債申請備案登記有關要求的通知》(發改辦外資[2019]666號)) (“**Circular 666**”) promulgated on 6 June 2019 and took effect on the same day.

None of the PRC government (including but not limited to the provincial government of the Jiangsu Province, the People's Government of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室)) has any obligation to pay any amount under the Bonds. Investments in the Bonds are based on the credit risks of the Issuer and the Company, rather than analyzation of the credit risk of the PRC government (including the provincial government of the Jiangsu Province, the People's Government

of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室)). In the event the Issuer does not fulfil its obligations under the Bonds, investors will only be able to claim as an unsecured creditor against the Issuer and its assets (which also excluding the public assets as defined above), and not any other person including the PRC government (including but not limited to the provincial government of the Jiangsu Province, the People's Government of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室)), any other local or municipal government authorities. As the Circular 23, the Circular 706 and the Circular 666 are relatively new and given the limited volume of published decisions related to these circulars, the interpretation and enforcement of these laws and regulations involve uncertainties and any adverse interpretation and enforcement of such laws and regulations in the future may materially and adversely affect the Group's businesses, financial conditions, results of operations and prospects.

In addition, any ownership or control by the PRC government (including but not limited to the provincial government of the Jiangsu Province, the People's Government of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室)) does not necessarily correlate to, or provide any assurance as to, the Company's nor the Issuer's financial condition. If the Issuer does not fulfil its obligations under the Bonds and the Trust Deed, the Bondholders will only have recourse against the Issuer, and not the PRC government.

Similar to other companies beneficially owned or controlled by the PRC government, the Company may be generally perceived to have access to liquidity support from its beneficial controlling shareholder in light of its ownership structure and the nature of its beneficial controlling shareholder, particularly in the event that the Company becomes financially distressed. However, the PRC government as the ultimate shareholder of the Company only has limited liability in the Company or the Guarantee if the Company fails to meet its obligations under these instruments, and, as a result, no financial support from any PRC governmental entity may materialise. The Company should rely upon the cash flow generated from its operations and external borrowings to satisfy its cash needs for servicing its outstanding indebtedness and for financing its operating activities. The Guarantee remains the sole obligation of the Company as an independent legal person.

The Group's business operations require substantial capital, and the Group may not be able to obtain sufficient, or any, funds on commercially acceptable terms to finance its operations or expansion plans.

Due to the capital-intensive nature of the Group's business operations, a substantial amount of capital, as well as ongoing funding, is required to support the Group's business growth. The Group's business growth and working capital requirements are primarily supported by internal funding sources, bank loans and other borrowings and equity. The Group's ability to arrange financing and the cost of such financing are dependent on numerous factors, including global economic and market conditions, interest rates, credit availability from banks or other lenders, success of the Group's businesses, changes in the monetary policy of the PRC government with respect to bank interest rates and lending policies and the political and economic conditions in the PRC generally. If the Group fails to maintain its existing and future loan arrangements on commercially acceptable terms, there can be no assurance that the Group will be able to continue to obtain adequate, or any, funding in the future on terms favorable to the Group. If sufficient financing is not available to meet the Group's needs, or cannot be obtained on commercially acceptable terms, or at all, the Group may not be able to refinance its existing loans, fund the operation and/or expansion of its business, introduce new products and services or compete effectively. As a result, the business, financial condition and results of operations of the Group would be materially and adversely affected.

The Group's business is subject to general economic and business cycles, and difficult conditions in the global economy may adversely affect the Group's business.

Some of the industries in which the Group operates, such as the sale and distribution of electricity and steam, are cyclical industries. The Group's activities and results are also substantially affected by general global macro-economic conditions.

The outlook for the world economy and financial markets remains uncertain. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The national referendum results whereby the United Kingdom voted to withdraw from the European Union have resulted in volatility in the global financial market, and are expected to create mid-to long-term economic uncertainty to the economy in the United Kingdom, the European Union and globally. In the United States, the current administration policies have created uncertainty for the global economy and financial markets (such as the outbreak of the US-Sino trade war). In addition, economic conditions in the PRC are sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis, or experience a financial crisis.

Instability in the global economy may materially and adversely affect markets that the Group operates in, which may lead to a decline in the general demand for the Group's services and products. In addition, a reduction in liquidity in the global financial markets and in the PRC may negatively affect the Group's liquidity. Therefore, instability in the global economy may materially and adversely affect the Group's business, financial condition and results of operations.

The Group consists of only a small number of subsidiaries operating in limited lines of businesses, and is subject to challenges not found in companies operating in multiple industries and investing in a wide range of businesses and markets.

As at the date of this Offering Circular, the Group only has a small number of subsidiaries among which only one operates in limited lines of businesses in Xishan District, Wuxi City, Jiangsu Province. As such, the Group is exposed to risks associated with narrow business lines. While the Group is planning to diversify its business profile, the Group is exposed to the risk of repayment of its debt liabilities if there is a change in operating environments which will affect its success in its business.

In addition, as the Group has subsidiaries, albeit of only a small number, successful operation of the Group requires an effective management system. As the Group continues to grow its businesses, the Group's operations may become more complex, which could increase the difficulty of implementing its management system.

The Issuer and the Company may provide direct funding, guarantees and other support to certain of their subsidiaries from time to time in the future. For example, the Company may provide shareholder's loans to, or act as a guarantor for the borrowings of, certain subsidiaries in the future. If a subsidiary defaults on any borrowings lent or guaranteed by the Company, the Company will not receive the repayment as planned, or the relevant lender may exercise its right under the guarantee to demand repayment from the Company. The occurrence of either of these types of events may result in a funding shortage at the Company level, and may materially and adversely affect the Company's ability to provide financial support to its other subsidiaries. If the Issuer's or the Company's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant subsidiaries may be materially and adversely affected, which, in turn, may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may cease to enjoy government subsidies and grants as well as tax exemptions, the loss of which, or a reduction in which, could substantially reduce the Group's profits.

In light of the strategic importance of most of the Group's businesses to Xishan District, Wuxi City, Jiangsu Province, the Group has received various kinds of support (including government subsidies and

grants designed to boost business incentives) from the People's Government of Xishan District, Wuxi City and/or the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) to support its investments in and operation of its businesses. For the years ended 31 December 2019, 2020 and 2021, the aggregate government subsidies and grants provided to the Group in connection with the Group's operation of its ordinary business amounted to approximately RMB190.31 million, RMB198 million and RMB235 million, respectively.

There can be no assurance that any of the People's Government of Xishan District, Wuxi City and the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) will continue to provide support to the Group or that the fiscal subsidies, asset transfers, government capital contributions or other types of government support will not be adjusted or terminated due to changes in government policy or otherwise.

If favorable fiscal subsidies and grants, asset transfers, government capital contributions or other incentives which are currently available to the Group are reduced, eliminated or delayed in the future, some of the Group's businesses may no longer be viable, and the financial conditions and results of operations of the Group may be materially and adversely affected.

The Group may be unsuccessful in integrating and managing current or future investments and/or acquisitions, and there are risks associated with any material acquisitions by the Group.

The Group, from time to time, considers investment and acquisition opportunities that may complement its core business portfolio and capabilities, and which assist in expanding the market share of its core business operations. The ability of the Group's operations to grow by investments in, and/or acquisitions of, its target businesses is dependent upon, and may be limited by, the availability of attractive projects, its ability to agree commercial, technical and financing terms to the satisfaction of the Group, and obtaining all required approvals from relevant regulatory authorities. Such investments and/or acquisitions may also expose the Group to potential difficulties that could prevent it from achieving the strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the investments and/or acquisitions. These difficulties include:

- diversion of management's attention from the Group's existing investments and/or businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;
- decreases in its financial resources which may limit or reduce the Group's ordinary operating activities and increase pressure on its liquidity;
- insufficient expertise to manage its additional risk exposure;
- exposure to new laws and regulations with which the Group is not familiar, or is currently not subject to, and which may lead to increased litigation and regulatory risk;
- difficulty of expanding into markets in different geographic locations and challenges of operating in markets and industries that the Group does not have substantial experience in;
- increases in debt, which may increase the Group's finance costs as a result of higher interest payments;
- exposure to unanticipated contingent liabilities from acquired businesses; and
- difficulties in integrating acquired businesses or investments into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

There is no assurance that the difficulties above would not arise and result in a material and adverse impact on the Group's business, prospects, financial condition or results of operations.

In addition, where the Group invests in joint ventures where it may not have management control over its investments, there can be no assurance that such joint ventures will operate smoothly or successfully, if at all. There can also be no assurance that joint venture partners will act in a way which is consistent with the interest of the Group, and will be able and willing to fulfil their obligations under the relevant joint venture or other agreements.

Also, during the course of any material acquisition transactions, the Group typically conducts due diligence investigations with respect to the target companies, but the due diligence with respect to any acquisition opportunity may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial, legal and other risks and liabilities. When determining the consideration for any acquisition, the Group will consider various factors, including, but not limited to, the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group is unable to predict whether there will be any target suitable for acquisition or when any suitable acquisition opportunities could arise. In the event that the Group enters into any letter of intent or agreement for any material acquisition after the issue of the Bonds, the market price and the trading volume of the Bonds may be adversely affected.

The Group has substantial indebtedness and may incur additional indebtedness in the future, which could adversely affect its future strategy and operations and its ability to generate sufficient cash to satisfy its outstanding and future debt obligations.

The Group currently has a substantial amount of debt. As at 31 December 2021, the short-term loans of the Group amounted to approximately RMB975 million, the total current liabilities of the Group amounted to approximately RMB3,861.73 million, the long-term payables of the Group amounted to approximately RMB665 million, the total liabilities of the Group amounted to RMB4,526.73 million, while the Group's cash at bank and on hand amounted to approximately RMB1,036.2 million.

The Group may incur additional indebtedness and continuing liabilities in the future, including the issuance of debt securities or entering into financing or other loan arrangements. The level of existing indebtedness and incurrence of further indebtedness could have important consequences to the Group's business, including:

- increasing the Group's vulnerability to adverse general economic and industry conditions;
- requiring the Group to dedicate a substantial portion of its cash flows from operations to servicing and repaying its indebtedness, thereby reducing the availability of its cash flows to fund working capital, capital expenditures and other general corporate purposes;
- limiting the Group's ability to capture investment and/or acquisition opportunities, and inhibiting its ability to grow and expand its business;
- adding to the Group's interest exposure as a proportion of its costs of doing business;
- limiting the Group's flexibility in planning for or reacting to changes in its businesses and the industries in which it operates;
- reducing the Group's competitiveness compared to its competitors that have less debt; and
- increasing the costs of additional financing.

Creditors of the Company's subsidiaries would have a claim on the Company's subsidiaries' assets that would be prior to the claims of the Company's creditors. As a result, the payment obligations under the Company's indebtedness and liabilities will be effectively subordinated to all existing and future obligations of the Company's subsidiaries, and all claims of creditors of the Company's subsidiaries will have priority as to the assets of such entities over the Company's claims and those of its creditors.

In addition, the Group continually reviews its current and expected future funding requirements and evaluates and engages in discussions with financial institutions and other market participants, from time to time, on proposals regarding different sources of funding. In incurring indebtedness and liabilities from time to time, members of the Group may create security over their assets, receivables or equity interests in companies or entities held by them (which may include the Company's subsidiaries) in favor of the relevant creditors. Should any of the Group's secured indebtedness becomes immediately due and payable as a result of any default in payment or the occurrence of other events of default as defined under the relevant secured indebtedness, the relevant secured creditors would be entitled to take enforcement actions against such secured assets, receivables and equity interests. The secured creditors might take over the relevant subsidiaries' titles to the secured assets, receivables and equity interests, or sell them through auction. In such an event, the value of the Group's assets portfolio will diminish, and fewer assets and/or equity interests will be available for distribution to unsecured creditors if the relevant subsidiaries are in liquidation. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify.

Also, if the Issuer, the Company or the relevant subsidiaries are unable to comply with the restrictions (including restrictions on the Group's future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In addition, if the default provisions in the Group's loan agreements are drafted wide enough to cover non-payments by its guarantee business of its guarantee contracts, this may also be viewed as a default under such loan agreements. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Issuer, the Company or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable, or terminate the agreements, as the case may be. Some of the financing arrangements entered into by the Issuer, the Company and its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Issuer, the Company or any of its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debts, or result in a default under other debt agreements and potentially the Bonds. If any of these events occurs, there can be no assurance that the assets and cash flows of the Issuer, the Company or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Issuer, the Company or its subsidiaries would be able to find alternative financing. Even if the Issuer, the Company and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favorable or acceptable to the Issuer, the Company or, as the case may be, its subsidiaries.

The Group's ability to generate cash to service its indebtedness depends on many factors beyond its control.

The Group's ability to make payments on, and to refinance, its indebtedness, including the Bonds, and to fund planned capital expenditures and investments will depend on the Group's ability to generate cash. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Group's control. The Group's businesses might not generate sufficient cash flow from operations to enable it to repay its indebtedness, including the Bonds, or to fund the Group's other liquidity needs. The Group may need to refinance all or a portion of its indebtedness, including the Bonds, on or before maturity. However, the Group might not be able to refinance any of its indebtedness, including the Bonds, on commercially reasonable terms or at all. If the Group is unable to service its indebtedness or obtain refinancing on terms acceptable to the Group, it may be forced to adopt an alternative strategy that may include reducing or delaying capital expenditures, selling assets or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

There can be no assurance that the Group can match the maturity profile of its assets and liabilities as it grows. Inability to do so will impact the Group's liquidity and its ability to repay its borrowings and settle its outstanding liabilities.

The Group depends on its ability to match its asset growth with its fundraising on an ongoing basis. The Group manages its liquidity risk by regularly monitoring the relative maturities between its assets and liabilities and by taking steps to maintain a balance of long-term and short-term funding sources. If the Group fails to match the relative maturities of its assets and liabilities, net liquidity shortfalls may result, and the Group may not be able to meet its financial liabilities as they fall due. In addition, such liquidity shortfalls may also impair the Group's ability to obtain sufficient additional financing, if at all. As a result, the Group's liquidity may be impaired, which would have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group faces risks associated with contracting with public bodies.

As the Group focuses on, among other things, the sale and distribution of electricity and steam in Xishan District, Wuxi City, Jiangsu Province, the Group collaborates with various governmental authorities and their controlled entities in Xishan District, Wuxi City, Jiangsu Province. Although the Group believes that it currently maintains close working relationships with those governmental authorities and entities relevant to its businesses, there can be no assurance that these relationships will continue to be maintained on good terms in the future. Local governments and the government-controlled entities with which the Group collaborates may (i) have economic or business interests or consideration that are inconsistent with the Group's; (ii) take actions contrary to the Group's requests, policies or objectives; (iii) be unable or unwilling to fulfil their obligations; (iv) have financial difficulties; or (v) have disputes with the Group as to the contractual terms or other matters. If there are any material disagreements between the Group, and any local government or any of the government-controlled entities, there can be no assurance that the Group is able to successfully resolve them in a timely manner.

In addition, disputes with public bodies may last for considerably longer periods of time than for those with private sector counterparties, and payments from the public bodies may be delayed as a result. Any of these may materially and adversely affect the business relationships between the Group, and the local governments and the governmental entities, which may in turn materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Increasing financing costs or insufficient funding due to fluctuations in interest rates and stock markets may have an adverse effect on the Group's expansion plans and results of operations.

The Group is exposed to interest rate risk resulting from fluctuations in interest rates on its borrowings, and changes in interest rates affect its finance expenses and, ultimately, its results of operations. A significant increase in interest rates would negatively impact the Group's ability to repay its debts. As the Group relies heavily on external sources to secure investment capital to finance the expansion of its power generation and other businesses, it is sensitive to the cost of capital in securing these loans. The PBOC has abolished the upper limit on Renminbi lending rates, which could result in the Group paying higher interest rates, and permitted banks to offer deposit rates below the PBOC benchmark rate, which could cause the Group to earn lower interest income on its cash deposits. The PBOC may from time to time increase the benchmark interest rate on general lending in the PRC. If the PBOC was to raise benchmark lending rates, the Group's finance expenses would increase, which would have a material adverse effect on the Group's business, financial condition and results of operations.

However, certain loans entered into by the Group may also be secured by, and there can be no assurance that additional financing will be available to the Group on terms deemed to be commercially acceptable to the Group, or at all. Adverse global market conditions will have an adverse impact on the Group's ability to obtain financing. Although the Group has relied primarily on local sources of funding which have been

less impacted by global market conditions, reduced liquidity in the global capital markets could impact the Group's financing abilities in overseas markets. If the Group is unable to secure sufficient financing on acceptable terms on a timely basis, its business, financial condition and results of operations may be materially and adversely affected.

The Group's risk management framework, policies and procedures and internal controls may not fully protect the Group against various risks inherent in its business.

The Group has established an internal risk management framework, policies and procedures to manage its risk exposures, primarily operational risk, compliance risk and legal risk, as well as liquidity risk. These risk management policies and procedures are based upon historical behaviors, and the Group's experience in the relevant industries. They may not be adequate or effective in managing the Group's future risk exposures, or protecting the Group against unidentified or unanticipated risks, which could be significantly greater than those indicated by the Group's historical experience. Although the Group is continuously updating these policies and procedures, it may fail to predict future risks due to rapid changes in the market and regulatory conditions, and new markets the Group enters.

Although the Group has established internal controls to ensure its risk management policies and procedures are adhered to by its employees as it conducts its business, its internal controls may not effectively prevent or detect any non-compliance of its policies and procedures, which may have a material adverse effect on the Group's business, financial condition and results of operations.

While the Group has not identified any deficiency in the implementation of its internal control procedures, there can be no assurance that no internal control deficiencies will be identified in the future. Failure to address the Group's internal control and other deficiencies in a timely and effective manner may undermine the effectiveness of the Group's risk management system, may result in inaccuracies in the Group's financial reporting, and may also increase the potential for financial losses and non-compliance with regulations. As a result, the Group's asset quality, business, financial condition and results of operations may be materially and adversely affected.

Effective implementation of the Group's risk management and internal controls also depends on the Group's employees. There can be no assurance that such implementation will not involve human error or other mistakes, which may significantly undermine the effectiveness and performance of the Group's risk management and internal controls, resulting in a material adverse effect on the Group's business, results of operations and financial position.

While the Group believes that it offers its employees competitive compensation and is able to attract and retain qualified personnel, there can be no assurance that the Group can be successful in recruiting or retaining its key managerial personnel and employees.

The success of the Group's business depends, to a large extent, on the strategic vision of its board of directors, the continued service of key managerial personnel, including directors and key senior executives, and the ability to attract and retain highly skilled personnel. While the Group believes that it offers its employees competitive compensation and is able to attract and retain qualified personnel, there can be no assurance that the Group can be successful in recruiting or retaining its key managerial personnel and employees, in which case the Group's operations may be adversely affected. In particular, the market for qualified investment professionals is competitive. The Group's investment professionals possess extensive experience and expertise in investment, are responsible for implementing the Group's investment strategies, identifying and executing its investments, and have a valuable business network that may lead to investment opportunities. Therefore, the loss of its investment professionals could jeopardize the performance of the Group's business, which would have a material adverse effect on its business, financial condition and results of operations. If one or more of the Group's key managerial personnel or other personnel are unable or unwilling to continue in their present positions, the Group may

not be able to replace them easily or at all, and its business may be disrupted and its financial position and results of operations may be materially and adversely affected.

In addition, failure of any of the Group's key managerial personnel or employees to observe and perform its obligations under its service agreements, or any labor unrest and any increase in labor costs resulting from such dispute, may have a material adverse effect on the Group's results of operations and profits.

Additionally, the Group relies on third-party contractors to carry out certain business processes, including, but not limited to, certain property development projects. As such, labor shortages or labor disputes of third-party contractors could materially and adversely affect the Group's business, prospects and results of operations. Industrial action or other labor unrest could directly or indirectly prevent or hinder the progress of the affected construction projects, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects.

The Group's operations are subject to force majeure events, natural disasters and outbreaks of contagious diseases.

Force majeure events, natural disasters, catastrophe or other events could result in severe personal injury to the Group's staff, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects, and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt.

The Group's operations are mainly based in the Jiangsu Province, in particular, Xishan District, Wuxi City, Jiangsu Province, which is exposed to potential natural disasters including, but not limited to, earthquakes, flooding, landslides, mudslides and drought.

If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these, or similar events, could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its incomes.

In addition, some of the Group's contracts with suppliers and other counterparties have force majeure provisions that permit such parties to suspend, terminate or otherwise not perform obligations under their contracts upon the occurrence of certain events including, but not limited to, strikes and other industrial or labor disturbances, terrorism, restraints of government, civil disturbances, or any natural disaster; all being circumstances which are beyond the control of the party claiming force majeure. If one or more of the Group's suppliers or other counterparties do not perform under their contracts for any extended period of time, due to the declaration of a force majeure event or otherwise, the Group's results of operations and financial condition could be materially and adversely affected.

Risks of substantial costs and liabilities are inherent in the Group's principal operations, and there can be no assurance that significant costs and liabilities will not be incurred, including those relating to claims for damages to property or persons. The frequency and magnitude of natural disasters seen over the past few years could have a significant impact on the capacities of the insurance market and on the costs of civil liability and damages insurance cover for the Group.

In addition, the Group's operations are subject to outbreaks of contagious diseases. For example, the outbreak of SARS that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. There have been sporadic outbreaks of the H5N1 virus or "Avian Influenza A" among birds, in particular, poultry, as well as some isolated cases of transmission of the virus to humans. There have also been recent outbreaks among humans of the influenza A/H1N1 virus globally. On 11 June 2009, the World Health Organization raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. The outbreak of SARS and the influenza A/H1N1 virus

led to a significant decline in travel volumes and business activities throughout most of the Asian region. The occurrence of another outbreak of SARS, the influenza A/H1N1 virus, Middle East Respiratory Syndrome (MERS), H7N9, COVID-19 pandemic or of any other highly contagious disease may result in another economic downturn and may have an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations, and consequently have an adverse effect on its financial condition and results of operations.

The Group can be adversely affected by the performance of third-party contractors.

As at the date of this Offering Circular, the Group has not engaged any third-party contractor, but no assurance can be given that the Group will not do so to outsource various services from time to time for business development and cost utilization purposes. When it does, no assurance can be given that the services rendered by any of these contractors or subcontractors will always be satisfactory or meet the Group's quality and safety standards. If the performance of any contractor is not satisfactory, the Group may need to replace such contractor or take other actions to remedy the situation, which could adversely affect the cost and construction progress of its projects. Further, the completion of the Group's projects may be delayed, and it may incur additional costs due to a contractor's financial or other difficulties. Moreover, contractors may undertake projects for other companies, engage in risky or unsound practices or encounter financial or other difficulties, which may affect their ability to complete their work for the Group on time or within budget. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's consolidated financial statements have been prepared and presented in accordance with PRC GAAP, which is different from IFRS in certain respects.

The Group's consolidated financial statements included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP is substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. Please see "Summary of Differences between PRC GAAP and IFRS" for details. Each investor should consult its own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Historical consolidated financial information of the Group may not be indicative of its current or future results of operations.

The historical financial information is not intended to represent or predict the Group's results of operations for any future periods. The Group's future results of operations may change materially if its future growth deviates from the historical trends for various reasons, including factors beyond its control, such as changes in economic environment, PRC environmental rules and regulations, and the competitive landscape of the industries in which the Group operates its businesses. The Group may also acquire businesses or companies, or dispose of its subsidiaries or assets from time to time in accordance with the Group's business objectives. Period-to-period comparisons of the Group's historical operating results must be evaluated in light of the impact of any such transactions.

Public corporate disclosure about the Issuer and the Company may be limited.

As the Issuer and the Company are unlisted companies, there may be less publicly available information about the Issuer and the Company than is regularly made available by public companies in certain other countries.

The Group's business and operating results to a large extent depend upon the economic and industrial conditions of Xishan District, Wuxi City, Jiangsu Province and the PRC.

The Group primarily operates in Xishan District, Wuxi City, Jiangsu Province and other areas of the Jiangsu Province of the PRC. Demand for the Group's services depends on the general economy and level

of activity and growth in the industries in which the Group serves. Development of these industries is subject to various factors, many of which are beyond the Group's control, including but not limited to market fluctuations of technical development, government investment plans and general economic or political conditions.

The PRC government has from time to time adjusted its monetary, fiscal and other policies and measures to manage the rate of growth of the economy or control the overheating of the general economy or the overheating or overcapacity in certain industries or markets. As a result, the general economy in Xishan District, Wuxi City, Jiangsu Province, the PRC or in any particular industry in which the Group operates or serves may grow at a lower than expected rate or even experience a downturn.

Although the PRC has been one of the world's fastest growing economies in recent years as measured by GDP growth, China may not be able to sustain such a high growth rate. For example, for the years ended 31 December 2017, 2018, 2019 and 2020, China's GDP growth rate was 6.9%, 6.6% and 6.6%. and it further decreased to 2.3% according to the National Bureau of Statistics of China. China's GDP growth rate is expected to continue declining. In addition, the global economy may continue to deteriorate in the future and continue to have an adverse impact on China's economy. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a result of liberal monetary policy or excessive foreign fund inflow, or both. The national referendum results whereby the United Kingdom voted to withdraw from the European Union has resulted in volatility in global financial markets, and it is expected to create mid- to long-term economic uncertainty to not only the economies of the United Kingdom and the European Union but also globally. In addition, the U.S. government's policies may create uncertainty for the global economy and financial markets. The United States and the PRC have recently been involved in controversies over trade barriers that have threatened a trade war between the countries, and have implemented or proposed to implement tariffs on certain imported products. Sustained tension between the United States and the PRC over trade policies could significantly undermine the stability of the global economies. The PRC economy is sensitive to global economic conditions, and it is impossible to predict how the PRC economy will develop in the future and whether it may slow down due to a global crisis or experience a financial crisis. There can be no assurance that changes in the economic, social and political conditions in the PRC or the global economy would not have an adverse effect on the Group's business, financial conditions, performance, profitability and prospects.

Macro-economic factors have had and may continue to have a material adverse effect upon the Group's business, financial condition and results of operations.

The industries that the Group operates in are affected by macro-economic factors, including changes in international, national, regional and local economic conditions. In particular, most of the Group's operations are conducted in the PRC and accordingly, the Group's results of operations are closely affected by the macro-economic conditions in the PRC. Moreover, slowdown of the growth of the PRC economy and fear of a recession may decrease the consumer confidence and lead to the decrease in demand for residential and commercial properties in the PRC. This could in turn materially and adversely affect the Group's financial condition and results of operations.

Currently, an outbreak of COVID-19 has occurred in different regions of the world, including the PRC. The epidemic, after initially spreading far and wide inside China, has also escalated into a major public health crisis on a global scale and declared a pandemic by the World Health Organization. Several cities in China were under a lockdown with restrictions on travel and movement of people as well as prolonged closures of workplaces in an effort to curb the spread of COVID-19, and the epidemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday. Public-health authorities around the world are also intensifying containment efforts, leading to a severe drop in business activity and curtailing global trade. The epidemic may create further negative economic impact in the PRC as well as result in increased volatility in the global markets and affect investment sentiment. Any such adverse changes in the international financial markets or the PRC national and regional

economies may materially and adversely affect the Group's business, financial condition and results of operations. See also "*— The national and regional economies in the PRC and the global capital markets may be adversely affected by natural disasters, acts of God and occurrence of epidemics, including the COVID-19 pandemic*".

Moreover, deteriorating conditions in the domestic and global financial markets that could impact the availability of credit generally may have a material and adverse impact on financing available to the Group. Renewed turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict the Group's ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect its business, financial condition and results of operations. See also "*— Risks relating to the PRC — PRC economic, political and social conditions, as well as government policies, could affect the Group's business*".

The Group's ability to access credit and capital markets may be adversely affected by factors beyond its control.

The Group's ability to obtain external financing in the future and the cost of such financing is subject to a variety of factors and uncertainties, including but not limited to: the conditions of the general financial, capital and credit markets; potential changes in monetary policies with respect to bank interest rates, foreign exchange rates and overall lending policy; and performance of the Group's business and financial conditions at that time.

The Group maintains a certain level of indebtedness to finance its operations. As at 31 December 2019, 2020 and 2021, the Group's total borrowings, that is, the sum of short-term borrowing and long-term borrowing, amounted to RMB1,095.00 million, RMB546.00 million and RMB975.00 million, respectively. If there is any default under such financing arrangements, or the renegotiation efforts of such default would be successful or timely or that the Group would not be able to refinance its obligations under such arrangement on acceptable terms, the Group's financial position, cash flow position and business prospects may be materially and adversely affected.

Interest rate increases by the PBOC or market disruptions may increase the Group's cost of borrowing or adversely affect its ability to access credit and capital market. There can be no assurance that the anticipated cash flow from the Group's operations will be sufficient to meet all of its cash requirements, or that it will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect the Group's ability to finance its operations, meet its obligations or implement its development strategy.

If the Group is unable to retain its existing senior management and other key personnel and hires, train and retain senior management or key personnel, its ability to maintain and develop its business could be harmed.

The Group's operations and long-term success depend heavily upon the continued service of members of its senior management team and its ability to attract and retain qualified staff. The Group's senior management team has worked for the Group for years and has played a key role in making major business decisions. As competition in the PRC for quality, experienced senior management and key personnel is intense, the Group may not be able to retain the services of its senior executives or key personnel, or attract, retain or replace quality senior executives or key personnel in the future. If any member of the Group's senior management team or key personnel joins a competitor or carries on a competing business, the Group may lose customers and other key staff members, which will materially and adversely affect its business and expansion prospects. In addition, the Group may be unable to retain a sufficient number of suitable employees or recruit additional qualified employees for its daily operations and business expansion, in which case, its business, results of operations, growth and business prospects could be materially and adversely affected.

The Group's risk management and internal control systems may not fully protect it against various risks inherent in its business.

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

- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts, or failing to perform necessary due diligence procedures designed to identify potential risks, which are material to the Group in deciding whether to make investments or dispose of assets;
- improperly using or disclosing confidential information;
- recommending products, services or transactions that are not suitable for the Group's customers;
- misappropriation of funds;
- conducting transactions that exceed authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities when marketing or selling products;
- engaging in unauthorized or excessive transactions to the detriment of the Group's customers;
- making or accepting bribes;
- conducting any insider dealing; or
- otherwise not complying with applicable laws or the Group's internal policies and procedures.

The Group has established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures to manage its risk exposures, primarily its operational risk and legal risk. However, it may not be successful in implementing its risk management and internal control systems. While the Group seeks to continue to enhance its risk management and internal control systems from time to time, such risk management and internal control systems may not be adequate or effective notwithstanding its efforts, and any failure to address any potential risks and internal control deficiencies could materially and adversely affect its business, financial condition and results of operations. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions the Group takes to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

Since the Group's risk management and internal control systems depend on the implementation by its employees, all its employees are required adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. The Group is subject to risks in relation to actions taken by it or its employees that constitute violations of the laws and regulations. Moreover, the Group's growth and expansion may affect its ability to implement stringent risk management and internal control policies and procedures as its business evolves. If the Group fails to timely adopt, implement and modify, as applicable, its risk management and internal control policies and procedures, its business, financial condition and results of operations could be materially and adversely affected.

Litigation and regulatory investigations and the resulting sanctions or penalties may adversely affect the Group's reputation, business, results of operations and financial condition.

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

Further, the Group is exposed to risks associated with litigation relating to its operations such as the risk of lawsuits and other legal actions. The Group may from time to time be exposed to arbitration claims and lawsuits. Claims may be brought against the Group for liabilities for shareholder dispute, defective or incomplete work, personal injuries, damage to or destruction of property, breaches of warranty, termination of contracts or delayed payments to its suppliers or subcontractors. The Group may also bring claims against counterparties to preserve or enforce its contractual rights. The claims and charges may involve actual damages and contractually-agreed-upon liquidated sums. In the event that the Group prevails in those legal proceedings, there is no assurance that the judgment or awards can be effectively enforced. If a judgment or award is rendered against the Group, it would have to incur a loss against earnings to the extent a reserve had not been established for the matter in its financial statements, or to the extent the claims were not sufficiently covered by the insurance coverage of the Group. Both claims brought against the Group and by the Group, if not resolved or settled through negotiation or mediation, the Group may have to be involved in lengthy and costly litigation or arbitration proceedings, which may distract the Group’s financial and managerial resources. Amounts ultimately realized from project or other claims by the Group could differ materially from the balances included in the financial statements, resulting in a loss against earnings of the Group to the extent profit has already been accrued on a project or other contract. Charges and write-downs associated with claims brought against the Group have a material adverse impact on the financial condition, results of operations and cash flow of the Group. Moreover, legal proceedings resulting in judgments or findings against the Group may harm its reputation and damage its prospects for future contract awards and business.

In addition, the Group may have disagreements with regulatory bodies in the course of its operations, which may subject it to administrative proceedings and unfavorable decrees that result in liabilities. There can be no assurance that the number of legal claims and amount of damages sought in litigation and regulatory proceedings will not increase in the future. A significant judgement or regulatory action against the Group or a disruption in its business arising from adverse adjudications in proceedings against its directors, officers or employees would have a material adverse effect on the Group’s liquidity, business, financial condition, results of operations and prospects. Also, in the event that the Group makes any other investments or acquisitions in the future, there can be no assurance that the Group would not have any exposure to any litigation or arbitration proceedings or other liabilities relating to the acquired businesses or entities.

The Group is subject to risks associated with certain covenants or restrictions under its bank borrowings or financing arrangements, which may adversely affect the Group's business, financial condition and results of operations.

Increases in the level of the Group's debt and restrictions in the covenants contained in the instruments governing the Group's debt could have important consequences. For example, they could:

- make it more difficult for the Group to obtain additional financing on acceptable terms;
- require the Group to dedicate a substantial portion of its cash flows from operating activities to the repayment of its debt and the interest associated with its debt;
- limit the Group's operating flexibility due to financial and other restrictive covenants, including restrictions on incurring additional debt, and create liens on its properties;
- place the Group at a competitive disadvantage compared with its competitors that have relatively less debt; and
- make the Group more vulnerable to downturns in its business.

If the Group is unable to comply with the restrictions and covenants or its current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Group, as the case may be, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. As a result, the Group's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, or result in a default under its other debt agreements. If any of these events occur, the Group cannot assure you that its assets and cash flows would be sufficient to repay in full all of its indebtedness, or that the Group would be able to find alternative financing. Even if the Group could obtain alternative financing, they cannot assure you that it would be on terms that are favorable or acceptable to it.

Any failure to maintain an effective quality control system could have an adverse effect on the Group's business and operations.

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

Labor shortages, labor disputes or increases in labor costs of any third-party contractors engaged for the Group's projects could materially and adversely affect the Group's business, prospects and results of operations.

Many of the Group's businesses are labor-intensive. In recent years, work stoppages, employee suicide and other similar events in certain cities in the PRC have caused the PRC government to amend labor laws

to enhance protection of employees' rights. Increasing awareness of labor protection as well as increasing minimum wages is likely to increase the labor costs afforded by PRC enterprises in general, including the Group or the contractors participating in the Group's projects. The PRC Labor Contract Law (《中華人民共和國勞動合同法》) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed term employment contracts and dismissal of employees. Pursuant to the PRC Labor Contract Law, an employer is required to make a compensation payment to a fixed term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labor Contract Law. In addition, unless otherwise prohibited by the PRC Labor Contract Law or objected to by the employees themselves, the employer is also required to enter into non fixed term employment contracts with employees who have previously entered into fixed term employment contracts for two consecutive terms. As such, labor shortages, labor disputes or increases in labor costs of the Group or third-party contractors could directly or indirectly prevent or hinder the construction progress, and, if not resolved in a timely manner, could lead to delays in completing the Group's projects which could materially and adversely affect the Group's business, prospects and results of operations.

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

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

Our auditors have received adverse regulatory decisions and warnings issued by relevant PRC authorities in recent years.

The Auditors as the Company's independent auditors are a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the CSRC. The Auditors have received certain adverse regulatory decisions and warnings issued by CSRC and received administrative supervisory measures imposed by CSRC in recent years. According to the Auditors, these adverse regulatory decisions and warnings do not have any impact on its audit opinions for the Group's financial statements as at and for the years ended 31 December 2019, 2020 and 2021, nor do they have any impact on the Auditors in continuing to provide audit and other services to the Company. According to the Auditors, the adverse regulatory decisions and warnings are not related to the team of the Auditors serving as the Group's auditors and do not otherwise disqualify the team and its participation in this offering.

Significant accounts and other receivables may affect the Group's liquidity and restrict the Group's business activities.

As at 31 December 2019, 2020 and 2021, the Group's accounts and other receivables amounted to RMB6,075.92 million, RMB5,317.66 million and RMB4,137.16 million, respectively, representing 84.96

per cent., 82.28 per cent., and 88.26 per cent. of the Group's current assets, respectively. If a substantial amount of the Group's accounts receivables and other receivables are not paid off by the Group's debtors on time, or at all, the Group's financial condition and results of operation may be materially and adversely affected. Also, if the Group's accounts receivables and other receivables were to continue to increase without the corresponding financing alternatives being available to fund its working capital, it may also materially and adversely affect its operating cash flow, financial condition and results of operations.

Our results of operations, financial condition and prospects may fluctuate due to the uncertainty of accounting estimates in the use of valuation techniques.

The investment properties are measured applying certain accounting estimates and valuation techniques which may be varied and with significant unobservable inputs and the changes in their fair value are recorded in our consolidated income statements, therefore directly affecting our results of operations. There is no assurance that we will not incur fair value losses in the future. If we incur significant fair value losses, our results of operations, financial condition and prospects may be adversely affected.

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

The Group's business operations require substantial capital resources. For the years ended 31 December 2019, 2020 and 2021, the Group incurred total operating costs of RMB525.01 million, RMB354.81 million and RMB370.37 million, respectively. The Group has historically satisfied its capital requirement with the cash flow generated from its operating activities, bank loans, issuance of bonds in the PRC, other borrowings and subsidies from the government. The Group will continue to require substantial capital resources to support its business operations and expansion. Any failure to obtain sufficient capital resources on acceptable terms or in a timely manner may materially and adversely affect its business and prospects.

We had net operating cash outflow for the year ended 31 December 2021. If we are unable to meet our payment obligations, our business, financial condition and results of operations may be materially adversely affected.

For the year ended 31 December 2021, the Group had net operating cash outflow of RMB339.60 million. Negative net operating cash flow would require us to obtain sufficient external financing to meet our financial needs and obligations. If we are unable to do so, we will be in default of our payment obligations and may not be able to develop our projects as planned. As a result, our business, financial condition and results of operations may be materially adversely affected. We cannot assure you that we will not experience negative net cash flows in the future.

The ability of the Group to generate sufficient operating cash flow is affected by a number of factors, such as the Group's ability to manage and implement business activities, the local government's payment schedule, due performance of the Group's contractors, changes in the general market conditions and regulatory environment and the competition in certain sectors in which the Group operates. There can be no assurance that the Group's operations are able to generate sufficient cash inflow to satisfy its cash need at all times, if at all, and that the Group will not experience negative net cash flow from its operating activities in the future again. A negative net cash flow position for operating activities could impair the Group's ability to make necessary capital expenditures, constrain its operational flexibility and adversely affect its ability to expand its business and enhance the Group's liquidity. In particular, if the Group does not have sufficient net cash flow to fund its future liquidity, pay its trade payables and repay the outstanding debt obligations when they become due, the Group may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external

borrowings, whether on satisfactory terms or at all, the Group may be forced to delay or abandon its development and expansion plans, and its business, prospects, financial condition and results of operations may be materially and adversely affected. Any adverse changes in any of these factors, which may be out of the Group's control, may create capital shortfall. There is no assurance that the Group's operations are able to generate sufficient cash to satisfy the Group's cash need at all times, if at all.

The Bonds are not rated but our corporate rating may be lowered or withdrawn in the future.

The Bonds are not rated. In June 2022, Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司), being the Company's controlling shareholder, has received an "AA" corporate rating from Dagong Global Credit Rating Co., Ltd. (大公國際資信評估有限公司). As at the date of this Offering Circular, the Company itself has not received any corporate rating, but any corporate rating it receives later addresses the Company's ability to perform our obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating may not remain for any given period of time and could be lowered or withdrawn entirely by the rating agency. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. The Company has no obligation to inform holders of the Bonds of any such revision, suspension or withdrawal. A reduction, suspension or withdrawal at any time of the corporate rating may adversely affect the market price of the Bonds.

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

Operating power plant involves many risks and hazards which may be beyond our control and could cause significant business interruptions, personal injuries and property or environmental damage, and could increase electricity generating costs for an unknown duration. These risks include but are not limited to:

- production interruptions caused by operational errors, electricity outages, raw material shortages, equipment failure and other production risks;
- breakdown of power transmission, mechanical, software or monitoring systems;
- operating limitations imposed by environmental or other regulatory requirements;
- unexpected technical problems;
- defective quality of the real estate properties it develops;
- work related personal injuries;
- on site operational and industrial accidents;
- credit risks relating to the performance of customers or other contractual third parties;
- disruption in the global capital markets and the economy in general;
- loss on investments;
- environmental or industrial accidents; and
- catastrophic events such as fires, earthquakes, explosions, floods, epidemic, pandemic or other natural disasters.

Members of the Group maintain limited insurance policies and usually requires third party contractors on the relevant projects to maintain insurance coverage, which the Group believes to be consistent with the

industry and business practice in the PRC. There can be no assurance that the insurance maintained by the Group or the third-party contractors will provide adequate coverage in all circumstances. Although each of the Group's facilities has a track record of safe operation and none of them has suffered any material hazards over the last three years, there can be no assurance that hazards, accidents or mishaps will not occur in the future. The occurrence of any such incident for which the Group is uninsured or inadequately insured may have a material adverse effect on its business, financial condition and results of operations. In addition, the Group may not always be able to obtain insurance of the type and amount the Group desires at reasonable rates.

Over time, premiums and deductibles for insurance policies may increase substantially, and certain insurance policies could become unavailable or available only for reduced amounts of coverage. If the Group was to incur significant liability for which the Group is not insured or not fully insured, such liability could have a material adverse effect on its financial position and results of operations. In addition, any claims made under any insurance policies maintained by the Group may not be paid in a timely manner, or at all, and may be insufficient if such an event were to occur.

Claims under the insurance policies may not be honored fully or on time, or the insurance coverage may not be sufficient to cover costs incurred in the Group's operations due to the above mentioned operational risks. There are also certain types of losses (such as from wars, acts of terrorism or acts of God, business interruption, property risks and third-party (public) liability) that generally are not insured because they are either uninsurable or not economically insurable. To the extent that the Issuer, the Company or any of its subsidiaries suffers loss or damage that is not covered by insurance or that exceeds the limit of its insurance coverage, the Group's results of operations and cash flow may be materially and adversely affected.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions, as well as government policies, could affect the Group's business.

A substantial part of the Group's assets is located in the PRC and a substantial part of the Group's income is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

Any market and economic downturn, economic slowdown or geopolitical uncertainties in the PRC, its neighboring countries or regions or the rest of the world may exacerbate the risks relating to the PRC capital markets. There can be no assurance that the PRC's economy or the global economy will continue to improve or maintain sustainable growth. In the event of an economic downturn, the Group's business, financial conditions and results of operations could be adversely affected.

The Group's operations and financial results could also be materially and adversely affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, the Group's financial conditions and results of operations may be adversely affected by the PRC government's control over capital investments or any changes in tax regulations or foreign exchange controls that are applicable to the Group. The Group's operating results and financial conditions may also be materially and adversely affected by other changes in taxation and changes in state policies affecting the industries in which the Group operates. The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to political structure, level of government involvement, level of development, growth rate, foreign exchange controls and allocation of resources. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing on the utilization of market forces in the development of the PRC economy.

Recently, the combination of the COVID-19 pandemic and oil shocks resulting from a price war between Saudi Arabia and Russia has caused the U.S. stock market to be in freefall. Besides increased volatility in international financial markets, general consumption and manufacturing levels have also been adversely affected as a result. Furthermore, there is speculation that should the financial turmoil persist, a global recession may occur, which, in turn, may have a negative impact on the Group's business, financial condition and results of operations, as well as its access to future financing. Governments and central banks around the globe have introduced or are planning to introduce fiscal and monetary stimulus measures including tax cuts, direct subsidies, rate cuts, bond repurchase programs and suspension or relaxation of prudential bank capital requirements. These measures aim to contain the economic impact of the epidemic, stabilize the markets and provide liquidity easing to the markets. There is no assurance that such measures may be introduced in time or will be sufficient or effective in delivering their policy objectives, containing the economic impact of the pandemic or stabilizing the markets. As a result, the global economy is facing significant uncertainties and the global financial markets are experiencing significant volatility. The global economic uncertainty and the slowdown in PRC economic growth may continue to raise the possibility of, fiscal, monetary, regulatory and other governmental actions. The Group cannot predict whether or when such actions may occur, nor can the Group predict what ultimate impact, if any, such actions or any other governmental actions could have on its business, results of operations and financial conditions.

Uncertainty with respect to the PRC legal system could affect the Group.

As a substantial part of the Group's businesses are conducted in the PRC, and a substantial part of the Group's assets are located in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, the PRC has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in the PRC. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until sometime after the violation. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management's attention. As a result of these uncertainties with respect to the PRC legal system, lack of uniform interpretation and effective enforcement, the Group may be subject to uncertainties in its operations.

It may be difficult to effect service of legal process, enforce foreign judgements or bring original actions in the PRC based on other foreign laws against the Group.

The Group and a number of the Group's subsidiaries are incorporated in the PRC. A substantial portion of the Group's assets is located in the PRC. In addition, most of the Company's directors, supervisor and senior management reside within the PRC and the assets of the Company's directors, supervisor and senior management may be located within the PRC. As a result, it may not be possible for investors to effect service of process outside the PRC upon most of the Company's directors, supervisor and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement

on Reciprocal Recognition and Enforcement of Judgment in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Choice of Court Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a “choice of court” agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a “choice of court” agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A “choice of court” agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a “choice of court” agreement in writing. Therefore, it may be difficult for investors to enforce any judgments obtained from foreign courts against the Group, the Company, any of their respective directors, supervisor or senior management in the PRC.

In addition, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Choice of Court Arrangement. On 18 January 2019, the Supreme People’s Court of the PRC and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”). The New Arrangement extends the scope of judicial assistance and shall take effect after the necessary procedures to enable its implementation are completed in both the PRC and Hong Kong. The New Arrangement will, upon its commencement, supersede the Choice of Court Arrangement. However, the Choice of Court Arrangement will continue to apply to a “choice of court agreement” in writing (if any) made between the relevant parties before the commencement of the New Arrangement. While it is expected that the PRC courts will recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments.

The national and regional economies in the PRC and the global capital markets may be adversely affected by natural disasters, acts of God and occurrence of epidemics, including the COVID-19 pandemic.

The Group’s businesses are subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond its control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where the Group operates, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu (Influenza A (H1N1)), Middle East Respiratory Syndrome (MERS), H7N9, or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC.

The outbreak of communicable diseases on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets. In addition, such epidemics may result in worldwide restrictions on travel and public transport and prolonged closures of workplaces which may have a material adverse effect on the global economy. Any material changes in the financial markets or the PRC economy or regional economies as a result of these events or developments may materially and adversely affect the Group’s business, financial condition and results of operations.

Fluctuations in the value of Renminbi may adversely affect the Group's business and the value of distributions.

While substantially all of the Group's revenue is generated and denominated in Renminbi, the Group may enter into contracts with suppliers under which payment obligations will be settled in U.S. dollars. The value of Renminbi depends, to a large extent, on domestic and international economic, financial and political developments and PRC government policies, as well as the supply and demand in the local and international markets. From 1999 until 2005, the conversion of the Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, was based on exchange rates set and published daily by PBOC in light of the previous day's inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of the Renminbi into the U.S. dollar was largely stable until July 2005. On 21 July 2005, PBOC revalued the Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of the Renminbi appreciated by more than 2% on that day. Since then, PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. Further, from May 18, 2007, PBOC enlarged the floating band for the trading prices in the inter-bank foreign 47 exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on 21 May 2007. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. In June 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase flexibility and on 16 April 2012 the band was expanded to 1.0% and further revised to 2.0% on 17 March 2014. These changes in currency policy resulted in the Renminbi significantly appreciating against the U.S. dollar. The Renminbi exchange rate could fluctuate widely against the U.S. dollar or any other foreign currency in the future. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, the Group's financial condition and results of operations could be adversely affected because of our U.S.-dollar denominated indebtedness and other obligations. Since the Group's income and profits are denominated in Renminbi, any appreciation of the Renminbi will increase the value of dividends and other distributions payable in foreign currency terms. Conversely, any depreciation of the Renminbi will decrease the value of dividends and other distributions payable in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of the Group's foreign debt service in Renminbi terms since the Group has to convert Renminbi into foreign currencies to service its indebtedness in foreign currency.

The Group may incur additional cost to comply with the new policy regarding the tax bureau to collect social insurance and may be required by the tax bureau to make additional social insurance contributions.

On 20 July 2018, China's Central Committee and the State Council released the Reform Plan on the National and Local Taxation Collection and Management System (the "**Taxation Collection Reform Plan**"). Set to take effect on 1 January 2019, the plan places the responsibility of calculating and collecting social insurance premiums solely with the tax bureau, which is expected to improve social insurance compliance since the tax bureau is better resourced to monitor and collect contributions. The impact of the newly adopted Taxation Collection Reform Plan is still uncertain. The Group may incur additional cost to comply with this new plan and may be required by the tax bureau to make additional social insurance contributions, which may have a material adverse impact on the Group's business, financial condition and results of operations.

RISKS RELATING TO THE BONDS, THE STANDBY LETTER OF CREDIT AND THE GUARANTEE

Any failure to complete the relevant filings under the NDRC Circular within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer, the Company, and/or the investors of the Bonds.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities with a maturity of more than one year issued outside the PRC with the NDRC prior to the issue of such securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of such securities. There is no clarity on the legal consequences of non-compliance with the post-issue notification requirement under the NDRC Circular. Accordingly, the post-issue notification is generally regarded as a procedural process which involves the reporting of certain post-issuance information in respect of the Bonds by the Group to the NDRC, rather than a substantive approval or consent process. Additional guidance has been issued by the NDRC in December 2015, which states that companies, investment banks, law firms, and other intermediaries involved in debt securities issuance which do not comply with the registration requirement under the NDRC Circular will be subject to blacklist and sanctions. The NDRC Circular does not set forth how such blacklist will be implemented or the exact sanctions that may be imposed. There is no assurance that the Company will not be subject to any penalties if it has but fails to complete the post-issue notification within the required timeframe (including for reasons outside the Company's control). Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

If the Company fails to use all reasonable endeavours to complete the Cross-Border Security Registration in connection with the Guarantee within the time period prescribed by the SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.

Pursuant to the Guarantee to be executed between the Company and the Trustee, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer the Trust Deed or in respect of the Bonds, according to the terms of the Trust Deed and the Bonds. The Company cause to be submitted the Cross-border Security Registration, and use all reasonable endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the Conditions). There is no assurance that the Company will be able to complete the registration of the Guarantee with the SAFE within the prescribed timeframe or at all. Under the Conditions, Bondholders may require the Issuer to redeem their Bonds in the event that the Guarantee is not registered within a specified timeframe. Bondholders who do not exercise such redemption option should note that before requisite registrations of the Guarantee given by the Company are completed, it is uncertain whether the Guarantee given by the Company can be enforced in practice.

Although the failure to register does not render the Guarantee ineffective or invalid under PRC laws, the SAFE may impose penalties on the Company as Guarantor if the Company fails to procure the completion of the Cross-border Security Registration. Further, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Company under the Guarantee) as domestic banks may require evidence of the Cross-border Security Registration in connection with the Guarantee in order to effect such remittance. Prior to the performance or discharge of its obligations under the Guarantee, the Company is also required to complete a verification process with banks for each remittance under the Guarantee. As a result, there is no assurance that the Company can remit money outside of the PRC to comply with its obligations under the Guarantee.

The interpretation of the Provision on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) and any guidelines or rules in relation thereof may involve significant uncertainty, and may adversely affect the practical enforceability of the Guarantee given by the Company in the PRC. In addition, the administration of the Provision on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) and any relevant guidelines or rules in relation thereof may be subject to a certain degree of executive and policy discretion by the SAFE.

The Bonds will be mandatorily redeemed upon a pre-funding failure or the Standby Letter of Credit.

The Conditions provide for a demand to be made under the Standby Letter of Credit in the event the Issuer has failed to comply with Condition 1(e) (*Pre-funding*) in relation to pre-funding the amount that is required to be pre-funded under the Conditions and/or has failed to provide the Required Confirmations (as defined in the Conditions) in accordance with Condition 1(e) (*Pre-funding*), or an Event of Default (as defined in the Conditions) has occurred and the Trustee has given notice to the Issuer that the Bonds are immediately due and payable in accordance with Condition 8 (*Events of Default*). Such demand will be made in respect of the full amount of the outstanding principal due and interest accrued on the Bonds (together with any unpaid fees, expenses and other amounts payable to the Trustee in connection with the Bonds, the Guarantee, the Trust Deed, the Agency Agreement), and thereafter the Bonds will be mandatorily redeemed in accordance with Condition 5(d) (*Mandatory Redemption upon Pre-funding Failure*). In addition, the Conditions provide for the Bonds to be mandatorily redeemed at their principal amount together with any accrued interest immediately upon the Standby Letter of Credit ceasing to be enforceable, valid or in full force and effect or upon the Standby Letter of Credit being modified, amended or terminated without the consent of the Trustee or an Extraordinary Resolution of the Bondholders. Should any of such mandatory redemption events occur, Bondholders will not be able to hold their Bonds to maturity and receive the expected stream of income from holding the Bonds. An investor of the Bonds may not be able to reinvest the redemption proceeds in comparable securities at an effective interest rate at the same level as that of the Bonds.

The Issuer may not be able to redeem the Bonds upon the due date for redemption thereof or meet its outstanding obligations under the Bonds.

The Issuer may, in the event of certain changes in taxation or upon the occurrence of a Non-Registration Event, and at maturity, and in the event of a Pre-funding Failure will be required to, redeem all or, in the case of a Change of Control, all but not some only, of the Bonds, as further described in Condition 5 (Redemption and Purchase). If such an event were to occur, the Issuer and/or the Company may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Company's failure to repay, repurchase or redeem the Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Company's or the Group's other indebtedness.

An active trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop or as to liquidity or sustainability of any such market, the ability of holders to sell their Bonds or the price at which holders will be able to sell their Bonds. If the Bonds are allocated to a limited group of investors, and a limited number of investors hold a significant proportion of the Bonds, liquidity will be restricted and the development of a liquid trading market for the Bonds will be affected. If a market does develop, it may not be liquid and the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. None of the Joint Lead Managers is obligated to make a market in the Bonds and any

such market making, if commenced, may be discontinued at any time at its sole discretion. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. In addition, Bondholders should be aware of the prevailing and widely reported global credit market conditions (which continue as at the date of this Offering Circular), whereby there could potentially be a general lack of liquidity in the secondary market for instruments similar to the Bonds. Such potential lack of liquidity may result in investors suffering losses on the Bonds in secondary resales even if there is no decline in the performance of the assets of the Group. It is not possible to predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Bonds and instruments similar to the Bonds at that time.

Although application has been made for the listing of the Bonds on MOX, such listing can give no assurance as to the liquidity of, or trading market for, the Bonds. No assurance can be given as to the liquidity of, the trading market for, or the trading price of, the Bonds, or that the Bonds will be able to obtain or maintain a listing on MOX. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders of the Bonds will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without prior consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date, the issue price, the first payment of interest and the timing of the NDRC Post-Issue Filing and the Cross-border Security Registration and the making of the notifications in respect thereof) so as to form a single series with the Bonds (see “*Terms and Conditions of the Bonds — Further Issues*”). There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

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

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

Changes in market interest rates may have an adverse effect on the price of the Bonds.

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

As the Bonds will carry a fixed interest rate, the trading price of the Bonds will consequently vary with the fluctuations in interest rates. If the Bondholders propose to sell their Bonds before their maturity, they may receive an offer lower than the amount they have invested.

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

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

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

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

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Bonds are legal investments for it, (b) Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds.

The Bonds and the Guarantee are unsecured obligations.

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

- the Issuer or the Company enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Company's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Company's indebtedness.
- If any of these events were to occur, the Issuer's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

The Bonds will be effectively subordinated to all of the Group's secured debt.

The Bonds are general senior unsecured obligations. The Bonds will be effectively subordinated to all secured indebtedness of the Group to the extent of the value of the assets securing such indebtedness. In addition, the Trust Deed constituting the Bonds and the Conditions will, subject to some limitations, permit the Group to incur additional secured indebtedness in connection with bank and other financing arrangements.

In the event of bankruptcy, liquidation, reorganisation or other winding up, the assets that secure the Group's secured indebtedness will be available to pay obligations on the Bonds only after all secured indebtedness, together with accrued interest, has been repaid. If the Group is unable to repay its secured indebtedness, the lenders could foreclose on substantially all of its assets which serve as collateral. Under such circumstances, the secured lenders would be entitled to be repaid in full from the proceeds of the liquidation of those assets before those assets would be available for distribution to other creditors, including holders of the Bonds. Holders of the Bonds will participate in the proceeds of the liquidation of the Group's remaining assets rateably with holders of the Group's unsecured indebtedness that is deemed to be of the same class as the Bonds, and potentially with all of the Group's other general creditors.

The Bonds and the Guarantee will be structurally subordinated to the existing and future indebtedness and other liabilities and commitments of the Issuer's and the Company's existing and future subsidiaries and other affiliates in which the Issuer or the Company owns equity interests and effectively subordinated to the Issuer's and the Company's secured debt to the extent of the value of the collateral securing such indebtedness.

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

The Bonds and the Guarantee are the Issuer's and the Company's unsecured obligations and will (i) rank at least equally in right of payment with all the Issuer's and the Company's other present and future unsecured and unsubordinated obligations; (ii) be effectively subordinated to all of the Issuer's and the Company's present and future secured indebtedness to the extent of the value of the collateral securing such obligations; and (iii) be senior to all of the Issuer's and the Company's present and future subordinated obligations, subject in all cases to exceptions as may be preferred by provisions of law and regulations that are both mandatory and of general application. As a result, claims of secured lenders, whether senior or junior, with respect to assets securing their loans will be prior with respect to those assets. In the event of the Issuer's or the Company's bankruptcy, insolvency, liquidation, reorganisation, dissolution or other winding up, or upon any acceleration of the Bonds, these assets will be available to

pay obligations on the Bonds only after all other debt secured by these assets has been repaid in full. Any remaining assets will be available to the Bondholders rateably with all of the Issuer's or the Company's other unsecured and unsubordinated creditors, including trade creditors. If there are insufficient assets remaining to pay all these creditors, then all or a portion of the Bonds then outstanding would remain unpaid.

The Issuer is a special purpose finance vehicle and payments with respect to the Bonds are dependent upon cash flow from other members of the Group.

As at the date of this Offering Circular, the Issuer is a special purpose finance vehicle which does not have operating activities or revenue and therefore depend upon the receipt of sufficient funds from other members of the Group to meet its obligations under the Bonds. The Group conducts its operations primarily through the Company. The Issuer's primary assets will be receivables arising from its equity investments in the Group's businesses. Accordingly, the Issuer's ability to pay principal and interest on the Bonds will depend upon its receipt of dividend payments on its equity investments and capital injection by the Company, and the ability of the Company to honour its obligations under the Guarantee of the Bonds. In the event that the Company lacks the available cash flow, the Issuer's ability to make payments under the Bonds may be adversely affected.

The Company's subsidiaries and associated companies are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to the Company and its subsidiaries and associated companies.

The Company may, to a certain extent, depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries and associated companies to satisfy its obligations, including its obligations under the Bonds and the Guarantee. The ability of the Company's subsidiaries and associated companies to pay dividends and make payments on intercompany loans or advances to their shareholders, including us, is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries and associated companies, restrictions contained in relevant debt instruments, and applicable laws. There can be no assurance that the Company's subsidiaries and associated companies will have distributable earnings or will be permitted to distribute their distributable earnings to it as it anticipates, or at all. In addition, dividends payable to it by these companies are limited by the percentage of its equity ownership in these companies. Some portfolio companies may conclude that it is in the best interest of their shareholders to retain earnings, if any, for use in the operation and expansion of their businesses. The shareholders or the board of directors of a portfolio company (as the case may be) have the power to determine whether to pay dividends based on conditions then existing, including the company's earnings, financial condition and capital requirements, as well as economic and other conditions the shareholders or the board may deem relevant. These factors could reduce the payments that the Issuer or the Company receives from its subsidiaries and associated companies, which would restrict its ability to meet its payment obligations under the Bonds or, as the case may be, the Guarantee.

Further, certain loan agreements in relation to bank loans entered into by our PRC subsidiaries from PRC lender banks may contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Bonds.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of turnover and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve

funds that are not distributable as cash dividends by the board of directors. In practice, our PRC subsidiaries may pay dividends once a year. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Bonds or obligations under the Guarantee, and there could be restrictions on payments required to pay off the Bonds at maturity or as required for any early redemption.

Furthermore, in practice, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. Our PRC subsidiaries are also required to pay a 10.0% (or 7.0% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any non-PRC shareholders' loans. PRC regulations require registration with SAFE for any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present a tax filing form and/or other documents as required by tax authorities on the interest payable in any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require. Dividends received by any of our non-PRC entities from the direct equity investment in PRC resident enterprises shall be subject to enterprise income tax (withholding tax) at the rate of 10.0% unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where such non-PRC entity is established and the PRC.

As a result of the foregoing, we may not have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy the Issuer's obligations under the Bonds and the Company's obligations under the Guarantee.

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

The Bonds are denominated and payable in Renminbi. The value of the Renminbi against the U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in the PRC's political and economic conditions. An investor who measures investment returns by reference to a currency other than Renminbi would be subject to foreign exchange risks by virtue of an investment in the Bonds due to the fluctuation in the exchange rate of Renminbi and the investor's reporting currency. The value of Renminbi is affected by many economic, political and other factors over which each of the Issuer and the Company has no control. Depreciation of the Renminbi against such currency could cause a decrease in the value of the Bonds and a decrease in effective yield of the Bonds below their stated coupon rates causing a loss when the return on the Bonds is translated into such currency.

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

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

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

Certain financing agreements entered into by members of the Group may contain operational and financial restrictions on the Group's or, as the case may be, the relevant subsidiary's business operations or financing activities, that prohibit the relevant borrower from incurring additional indebtedness, providing guarantees to other parties or changing its business focus or corporate structure unless it is able to satisfy certain requirements, including but not limited to meeting certain financial ratios or obtaining the relevant lender's prior consent. The ability of the Group to meet such requirements may be affected by events beyond its control, and the Group may not be in compliance with such restrictions from time to time. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions in time, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the ability of the Issuer, the Company and other members of the Group to satisfy any obligations under the Bonds and/or other debt, as the case may be.

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

The Bonds have a limited upside.

The Bonds carry a fixed interest rate which is paid in Renminbi in arrear. Upon maturity, the Issuer will pay investors the principal amount of the Bonds plus any unpaid accrued interest. The maximum return on an investment in the Bonds is limited to these interest payments in Renminbi. As the Bonds are fixed income securities which are structured to provide investors with returns primarily through regular interest payments thereon, investors who hold the Bonds through to maturity or who dispose of the Bonds in the secondary market may not realise any capital gain.

Certain facts and statistics are derived from publications not independently verified by the Group, the Joint Lead Managers, the Trustee, the Agents or their respective advisers.

Facts and statistics in this Offering Circular relating to global economy and the relevant industries are derived from publicly available sources. While the Issuer and the Company have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by any of the Issuer, the Company, the Joint Lead Managers, the Trustee, the Agents or their respective affiliates, directors, officers, employees, representatives, agents or advisers and, therefore, none of these parties make any representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective calculation and collection methods and other problems,

the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Modifications and waivers may be made in respect of the Conditions, the Guarantee, the Trust Deed, the Agency Agreement and/or the Standby Letter of Credit by the Trustee or less than all of the Bondholders, and decision may be made on behalf of all holders of the Bonds that may be adverse to the interests of individual holders of the Bonds.

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

The Conditions also provide that the Trustee may (but shall not be obliged to) agree, without the consent of Bondholders, to any modification of the Conditions or any of the provisions of the Guarantee, the Trust Deed, the Agency Agreement and/or the Standby Letter of Credit (other than in respect of certain reserved matters) which is, in the opinion of the Trustee, of a formal, minor or technical nature or is made to correct a manifest error; and to any amendment or supplement to, or a replacement of, the Standby Letter of Credit in connection with a further issue of securities pursuant to Condition 14 (*Further Issues*).

In addition, the Trustee may (but shall not be obliged to), without the consent of the Bondholders, make any other modification or authorize or waive any proposed breach or breach of any of the Conditions or any of the provisions of the Guarantee, the Trust Deed, the Agency Agreement or the Standby Letter of Credit (other than a proposed breach or breach relating to the subject of certain reserved matters) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Bond issuance in the China (Shanghai) Pilot Free Trade Zone is a recent development and such bonds cleared through CCDC will be subject to the operational procedures and requirements of CCDC.

Bond issuance in the China (Shanghai) Pilot Free Trade Zone is a recent market development. Such bonds are cleared through CCDC and will be subject to the operational procedures and requirements of CCDC. CCDC is responsible for setting, and has in place its own set of, operational procedures and requirements for bond issuance, clearance and settlement. In particular, if required by regulatory authorities pursuant to a lawful inquiry, freezing or other order, CCDC may dispose of the bonds without prior notice to, and may take certain action in respect of the accounts of, its accountholders and recognised custodian. CCDC also sets rules on who may invest and trade in the bonds issued in the China (Shanghai) Pilot Free Trade Zone. See “— *An investor needs to maintain an account with CCDC or a sub-account with a custodian recognised by CCDC to invest in and trade the Bonds*”. As the market continues to develop, CCDC’s procedures and requirements may be amended from time to time. In addition, the terms of the service agreements entered into by CCDC with the Issuer, the Company, any recognized custodian and any investor participants, may be amended from time to time. There is no assurance that CCDC’s current operational procedures and requirements will remain unchanged during the term of the Bonds.

The Bonds will be issued in uncertificated book-entry form held in CCDC and holders of beneficial interests in the Bonds must rely on the procedures of CCDC and (in the case of investors located outside the PRC) any custodian recognised by CCDC.

The Bonds will be issued in uncertificated book-entry form held in CCDC with CCDC entered in the register of the Bonds as the sole registered holder on behalf of the persons notionally entitled thereto. CCDC will maintain records of the beneficial interests in the Bonds. A custodian will, through its account with CCDC, hold beneficial interests in the Bonds on behalf of investors located outside the PRC and will maintain sub-accounts in CCDC showing such beneficial interests. Investors will not be entitled to receive definitive Certificates unless CCDC is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so.

Holders of beneficial interests in the Bonds must rely on the procedures of CCDC and (in the case of holders located outside the PRC) any custodian recognised by CCDC to receive payments under the Bonds. Each payment will be made either to the Renminbi free trade account (自由貿易賬戶) maintained by or on behalf of a holder with a bank in the China (Shanghai) Pilot Free Trade Zone (“**FTZ Account**”) or, the Renminbi account maintained by or on behalf of a holder with a bank in Hong Kong. Each of the Issuer and the Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Bonds.

An investor needs to maintain an account with CCDC or a sub-account with a custodian recognised by CCDC to invest in and trade the Bonds.

As the Bonds will be issued in uncertificated book-entry form held in CCDC, an investor needs to maintain an account with CCDC or a sub-account with a custodian recognised by CCDC in order to invest in the Bonds. While the Bonds are held in CCDC, the Bonds can only be traded between investors who maintain accounts with CCDC (and not with any other clearing system) or sub-accounts with a custodian recognised by CCDC. This requirement may make the Bonds difficult to trade and affect the liquidity of the Bonds.

Any amount received by Bondholders in their respective FTZ Accounts may be subject to certain restrictions.

FTZ Accounts are created and maintained pursuant to the Opinion of the People’s Bank of China on Financial Support for Construction of China (Shanghai) Pilot Free Trade Zone (中國人民銀行關於金融支持中國(上海)自由貿易試驗區建設的意見) and other pilot rules, regulations, circulars or notes in connection therewith, which allow the remittance of the proceeds from the offering of the Bonds out of the China (Shanghai) Pilot Free Trade Zone or the remittance of money into the China (Shanghai) Pilot Free Trade Zone. However, these rules in relation to FTZ Accounts are constantly evolving. There can be no assurance that if a Bondholder elects to receive the amounts payable under the Bonds in his or her FTZ Account, such amounts will not be subject to supporting documentation requirements or restrictions on foreign exchange conversion and/or offshore remittance and/or the maximum limitation which may apply to such FTZ Account in the future.

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

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

The insolvency laws of Hong Kong, the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer is incorporated under the laws of Hong Kong and the Company is incorporated under the laws of the PRC, any insolvency proceedings relating to the Issuer and/or the Company would likely involve Hong Kong or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar. Potential investors should analyse the risks and uncertainties carefully before investing in the Bonds.

The Trustee may request to be indemnified and/or secured and/or pre-funded to its satisfaction.

In certain circumstances (including, without limitation, giving of notice to the Issuer pursuant to Condition 8 (*Events of Default*) and taking enforcement steps as contemplated in Condition 13 (*Enforcement*)), the Trustee may (at its sole discretion) request to be indemnified and/or secured and/or pre-funded to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such actions and/or steps and/or institute proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction.

Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or institute proceedings, notwithstanding the provision of an indemnity or security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Conditions) and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions and/or steps and/or institute proceedings directly.

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

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

The LC Bank's ability to perform its obligations under the Standby Letter of Credit is subject to its financial condition.

The ability of the LC Bank to make payments under the Standby Letter of Credit will depend on its financial condition, which could be materially and adversely affected by a number of factors, including, but not limited to, the following:

- **Impaired loans and advances:** The LC Bank's financial condition and results of operations have been and will continue to be negatively affected by its impaired loans. If the LC Bank is unable to effectively control and reduce the level of impaired loans and advances in its current loan portfolio and in new loans it extends in the future, or its allowance for impairment losses on loans and advances is insufficient to cover actual loan losses, its financial condition could be materially and adversely affected.
- **Collateral and guarantees:** A certain portion of the LC Bank's loans is secured by collateral. In addition, a certain portion of its PRC loans and advances is backed by guarantees. If the LC Bank is unable to realise the collateral or guarantees securing its loans to cover the outstanding principal and interest balance of such loans due to various factors, its financial condition could be materially and adversely affected.
- **Loans to property sector and government financing platforms:** The LC Bank's loans and advances to the property sector primarily comprise loans issued to property companies and individual housing loans. The property market may be affected by many factors, including, without limitation, cyclical economic volatility and economic downturns. In addition, the PRC government has in recent years imposed macroeconomic control measures that are aimed at preventing the property market from over-heating. Such factors may adversely affect the growth and quality of its loans to the property industry and, consequently, the LC Bank's financial condition and results of operations. Loans to government financing platforms are a part of the loan portfolio of the LC Bank. The government revenues are primarily derived from taxes and land premiums. Therefore, economic cycles and fluctuations in the property market may also adversely affect the quality of such loans.

In addition, as the LC Bank has not waived sovereign immunity for the purpose of the Standby Letter of Credit, that the possibility of such immunity being asserted at the time of enforcement of the Standby Letter of Credit could not be ruled out.

The Standby Letter of Credit is subject to a maximum limit and may not be sufficient to satisfy all payments due under the Standby Letter of Credit.

Payments of principal and interest in respect of the Bonds and the unpaid fees, expenses and other amounts payable to the Trustee in connection with the Bonds, the Guarantee, the Trust Deed and the Agency Agreement will have the benefit of the Standby Letter of Credit up to a maximum limit of RMB772,710,000, being an amount representing the aggregate principal amount of the Bonds plus one (instead of all) instalment of interest payable under the Bonds, plus an additional amount of RMB6,960,000 intended to cover unpaid fees, expenses and other amounts payable to the Trustee in connection with the Bonds, the Guarantee, the Trust Deed and the Agency Agreement. There can be no assurance that such maximum limit is sufficient to fully satisfy the aforementioned payments.

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

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") which took effect on 1 January 2008 and its implementation rules, any gains realized on the transfer of the Bonds by holders who are deemed non-resident enterprises under the EIT Law may be subject to PRC enterprise income tax if such gains are regarded as income derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organization is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. There remains uncertainty as to whether the gains realized on the transfer of the

Bonds by non-resident enterprise holders would be treated as income derived from sources within the PRC and be subject to PRC enterprise income tax. In addition, there is uncertainty as to whether gains realized on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “**Arrangement**”) which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

Pursuant to the EIT Law, the PRC Individual Income Tax Law (the “**IIT Law**”) which took effect on 1 September 2011, and the implementation regulations in relation to both the EIT Law and IIT Law, PRC income tax at a rate of 10 per cent. or 20 per cent. is normally applicable to PRC-sourced income derived by non-resident enterprises or individuals respectively, subject to adjustment by applicable treaty. As the Company is a PRC resident enterprise for tax purposes, interest paid to non-resident Bondholders may be regarded as PRC-sourced, and therefore be subject to PRC income tax at a rate of 10 per cent. for non-resident enterprise Bondholders and at a rate of 20 per cent. for non-resident individual Bondholders (or a lower treaty rate, if applicable).

On 23 March 2016, the MOF and the SAT issued the Circular 36, which introduced a new VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. The Issuer will be obliged to withhold VAT of 6 per cent. and certain surcharges on VAT for payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

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

In addition, as there are currently no specific regulations or guidelines relating to the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not the China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their EIT and IIT obligations.

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

According to Interim Regulation of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on 6 August 1988, and implemented on 1 October 1988 and amended on 8 January 2011 and its implementation rules, enterprises or individuals which receive any of the instruments specified in these rules within the territory of the PRC or to the extent that any such instruments have legally binding effect within the territory of the PRC and are protected under PRC laws shall be obliged to pay relevant stamp duty in accordance with the provisions therein.

However, there are no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone. Although the issuance or transfer of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone may not be treated as the issuance or transfer of debt securities issuance in the PRC, there can be no assurance that if the issuance or transfer of the Bonds will not be deemed or treated by PRC taxation authority as the entry into a loan contract or use of any other taxable instruments in the PRC and thus be subject to PRC stamp duty. In addition, there can be no assurance that PRC laws will not be revised as to impose stamp duty upon the issuance or transfer of the Bonds or similar debt instrument. If the issuance of the Bonds is treated in the same way as the entering into of a loan contract, or use of any other taxable instruments in the PRC, both the borrower and lender (i.e. the Issuer and investors purchasing the Bonds, respectively) in respect of the issuance of the Bonds, or both the transferor and transferee (i.e. investors transferring the Bonds) in respect of the transfer of the Bonds would be each subject to PRC stamp duty of 0.005 per cent. of the amount borrowed, or any other rate applicable to the issuance and 0.05 per cent to the transfer of the Bonds (or such higher rate if local governments have other additional requirements).

The taxation authority may impose a fine if a person subject to PRC stamp duty has failed to pay, or has paid an insufficient amount of stamp duty on a taxable instrument. The taxation authority, in addition to ordering such person to pay the requisite amount of stamp duty, may impose a fine of up to 20 times the amount of stamp duty payable, depending on the seriousness of the individual case. Investors should further consult their own legal and tax advisors in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

The Standby Letter of Credit expires 30 days after the Maturity Date.

The Standby Letter of Credit will expire after 5:30 p.m. (Hong Kong time) on 16 January 2026. In the event that the Trustee does not enforce the Standby Letter of Credit by this expiration time, the Bondholders and the Trustee will not be able to benefit from the credit protection provided by the LC Bank. Furthermore, in the event that any payment from the Issuer or the Company to the Trustee is avoided by virtue of any laws relating to bankruptcy, insolvency, liquidation or similar laws of general application for the time being in force and a written notice claiming such avoided payment under the Standby Letter of Credit was not given to the LC Bank on or before the expiry time of the Standby Letter of Credit, the Bondholders and the Trustee may not be able to recover such avoided payment from the LC Bank under the Standby Letter of Credit.

The Bonds may be redeemed by the Issuer prior to maturity.

The Issuer may redeem the Bonds at its option, in whole but not in part, at any time at their principal amount, together with any interest accrued to (but not including) the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Issuer and/or the Company has or will become obliged to pay Additional Amounts (as defined in the Conditions), as further described in Condition 5(b) (*Redemption for tax reasons*) of the Conditions. If the Issuer redeems the Bonds prior to their maturity date, investors may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Issuer's ability to redeem the Bonds may reduce the market price of the Bonds.

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

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

RISKS ASSOCIATED WITH BONDS DENOMINATED IN RENMINBI

Exchange rate risks and exchange controls may result in investors receiving less interest or principal than expected.

The Issuer (failing which, the Company) will pay principal, premium and interest on the Bonds in Renminbi (the “**Specified Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency equivalent yield on the Bonds, (ii) the Investor’s Currency equivalent value of the principal payable on the Bonds and (iii) the Investor’s Currency equivalent market value of the Bonds. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

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

Renminbi is not freely convertible; there are significant restrictions on remittance of Renminbi into and outside the PRC which may adversely affect the liquidity of the Bonds.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items.

Participating banks in Hong Kong, Macau, Singapore, Taiwan, Seoul, Frankfurt, London, Paris, Luxembourg, Doha and Toronto have been permitted to engage in the settlement of current account trade transactions in Renminbi under certain pilot schemes.

On the other hand, remittance of Renminbi by foreign investors into the PRC for the settlement of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are still being developed.

Although starting from 1 October 2016, Renminbi has been added to the Special Drawing Rights basket created by the International Monetary Fund and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by PBOC in 2018, there can be no assurance that the PRC government will continue to liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be

discontinued or that new regulations in the PRC will not be promulgated in the future which will have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. Despite Renminbi internationalisation pilot programme and efforts in recent years to internationalise the currency, there can be no assurance that the PRC government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer and the Company to source Renminbi to finance their obligations under the Bonds denominated in Renminbi.

Remittance of proceeds into or outside of the PRC in Renminbi may be subject to restrictions.

The Issuer's and the Company's ability to remit some or all of the proceeds into the PRC in Renminbi will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC governmental authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

There can be no assurance that the PRC government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the pilot schemes introduced will not be discontinued or that new PRC regulations will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that any of the Issuer and the Company does remit some or all of the proceeds from the China (Shanghai) Pilot Free Trade Zone ("**Shanghai FTZ**") into the PRC in Renminbi and any of the Issuer and the Company subsequently is not able to repatriate funds from the PRC into the Shanghai FTZ in Renminbi, it will need to source Renminbi in the Shanghai FTZ or elsewhere outside the PRC to finance its obligations under the Bonds, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the ability of the Issuer and the Company to source Renminbi outside the PRC to service such Bonds.

As a result of the restrictions by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While PBOC has entered into agreements on the clearing of Renminbi business with financial institutions in a number of financial centres and cities, including but not limited to Hong Kong (the "**Renminbi Clearing Banks**"), has established the Cross-Border Inter-Bank Payments System to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBOC, although PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have access to onshore liquidity support from PBOC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, the participating banks will need to source Renminbi from outside the PRC to square such open positions.

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

TERMS AND CONDITIONS OF THE BONDS

The following (other than the words in italics) is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive Certificates (as defined below) evidencing the Bonds:

The RMB750,000,000 in aggregate principal amount of 4.2 per cent. credit enhanced guaranteed bonds due 2025 (the “**Bonds**”, which expression includes, unless the context requires otherwise, any further bonds issued pursuant to Condition 14 (*Further Issues*) and to be consolidated and forming a single series therewith) of HONGKONG YUNLIN INTERNATIONAL CO., LIMITED (香港雲林國際有限公司) (the “**Issuer**”) are constituted by, are subject to, and have the benefit of, a trust deed dated 16 December 2022 (as amended and/or supplemented from time to time, the “**Trust Deed**”) between the Issuer, Wuxi Nengda Thermoelectric Co., Ltd. (無錫能達熱電有限公司) (the “**Company**”) as guarantor and Bank of Communications Trustee Limited (the “**Trustee**”, which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) as trustee for itself and the holders of the Bonds. An agency agreement dated 16 December 2022 relating to the Bonds (as amended and/or supplemented from time to time, the “**Agency Agreement**”) has been entered into between the Issuer, the Company, Bank of Communications Co., Ltd. Hong Kong Branch as principal paying agent (in that capacity, the “**Principal Paying Agent**”, which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds), Bank of Communications Co., Ltd. Hong Kong Branch as registrar (in that capacity, the “**Registrar**”, which expression includes any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (in that capacity, the “**Transfer Agent**”, which expression includes any successor or additional transfer agent appointed from time to time in connection with the Bonds), Bank of Communications (Hong Kong) Limited as the account bank (the “**Pre-funding Account Bank**”, which expression includes any successor pre-funding account bank appointed from time to time in connection with the Bonds) where the Pre-funding Account (as defined below) is held, Bank of Communications (Hong Kong) Limited as the account bank (the “**LC Proceeds Account Bank**”, which expression includes any successor thereof appointed from time to time in connection with the Bonds) where the LC Proceeds Account (as defined below) is held and the Trustee. References herein to the “**Agents**” are to the Registrar, the Principal Paying Agent, the Transfer Agent and any other paying agents appointed by the Issuer under the Agency Agreement (together with the Principal Paying Agent, the “**Paying Agents**”, which expression includes any successor or additional paying agents appointed from time to time in connection with the Bonds) and any reference to an “**Agent**” is to any one of them.

The Bonds will have the benefit of an irrevocable standby letter of credit dated 16 December 2022 (the “**Standby Letter of Credit**”) issued by Bank of Shanghai Co., Ltd., Nanjing Branch (the “**LC Bank**”). The Bonds will also have the benefit of a deed of guarantee dated 16 December 2022 entered into by the Company and the Trustee (the “**Guarantee**”).

Certain provisions of these Conditions are summaries of, and are subject to, the detailed provisions of and definitions in, the Trust Deed, the Agency Agreement, the Guarantee and the Standby Letter of Credit. The Bondholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement, the Guarantee and the Standby Letter of Credit applicable to them. Copies of the Trust Deed, the Agency Agreement, the Guarantee and the Standby Letter of Credit are available for inspection following prior written request and satisfactory proof of holding and identity by Bondholders during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) at the registered office for the time being of the Trustee, being at the Issue Date (as defined in Condition 4 (*Interest*)) at 1/F, Far East Consortium Building, 121 Des Voeux Road, Central, Hong Kong and at the Specified Office (as defined in the Agency Agreement) of the Principal Paying Agent.

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

1. Form, Denomination, Status, Guarantee, Standby Letter of Credit and Pre-funding

- (a) *Form and denomination:* The Bonds are in registered form in the denomination of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof (each, an “**Authorised Denomination**”).
- (b) *Status of the Bonds:* The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 3(a)) unsecured obligations of the Issuer which shall at all times rank *pari passu* among themselves (and without any preference or priority among themselves) and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such obligations as may be preferred by provisions of law and regulations that are both mandatory and of general application.
- (c) *Guarantee:* The Company has in the Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Trust Deed and in respect of the Bonds. The Guarantee constitutes direct, unsubordinated, unconditional and (subject to Condition 3(a)) unsecured obligations of the Company which will at all times rank *pari passu* among themselves (and without any preference or priority among themselves) and at least *pari passu* with all other present and future unsubordinated and unsecured obligations of the Company, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.
- (d) *Standby Letter of Credit:* The Bonds will have the benefit of the Standby Letter of Credit issued by the LC Bank in favour of the Trustee, on behalf of itself and the holders of the Bonds. The Standby Letter of Credit shall be drawable by the Trustee as beneficiary under the Standby Letter of Credit on behalf of itself and the holders of the Bonds upon the presentation of a demand by authenticated SWIFT (or otherwise as permitted under the Standby Letter of Credit) sent by the Trustee or an agent of the Trustee to the LC Bank in accordance with the terms of the Standby Letter of Credit (the “**Demand**”) stating that (i) the Issuer has failed to comply with Condition 1(e) (*Pre-funding*) in relation to pre-funding the amount that is required to be pre-funded under these Conditions and/or has failed to provide the Required Confirmations (as defined in Condition 1(e) (*Pre-funding*)) in accordance with Condition 1(e) (*Pre-funding*) or (ii) an Event of Default (as defined in Condition 8 (*Events of Default*)) has occurred and the Trustee has given notice in writing to the Issuer that the Bonds are immediately due and payable in accordance with Condition 8 (*Events of Default*).

Only one drawing is permitted under the Standby Letter of Credit. Such drawing on the Standby Letter of Credit will be payable in Renminbi in immediately available funds to or to the order of the Trustee at the time and to the account specified in the Demand presented to the LC Bank. All amounts received by the Trustee in respect of the Demand will be deposited into the LC Proceeds Account.

The payment made under the Standby Letter of Credit in respect of any amount payable under these Conditions or in connection with the Bonds, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction document relating to the Bonds shall, to the extent of the drawing paid to or to the order of the Trustee, satisfy the obligations of the Issuer (failing whom the Company) in respect of such amount payable under these Conditions or in connection with the Bonds, the Trust Deed, the Guarantee, the Agency Agreement and/or any other transaction document relating to the Bonds and the obligations of the Company under the Guarantee.

The LC Bank's aggregate liability under the Standby Letter of Credit shall be expressed and payable in Renminbi and shall not in any circumstances exceed RMB772,710,000, an amount representing (i) the aggregate principal amount of the Bonds plus interest payable for one Interest Period (as defined in Condition 4 (*Interest*)) in accordance with Condition 4 (*Interest*) and (ii) RMB6,960,000 being the maximum amount payable under the Standby Letter of Credit for any unpaid fees, expenses, indemnity payments and other amounts payable to the Trustee in connection with the Bonds, the Trust Deed, the Guarantee and the Agency Agreement and/or any other transaction document relating to the Bonds (the "**Maximum Limit**"). The Standby Letter of Credit expires (subject as provided in the Standby Letter of Credit) at 5:30 p.m. (Hong Kong time) on 16 January 2026.

The form of the Standby Letter of Credit is scheduled to this Offering Circular. See "Appendix A— Form of Irrevocable Standby Letter of Credit".

- (e) *Pre-funding*: In order to provide for the payment of any amount in respect of the Bonds (other than the Mandatory Redemption Amount (as defined in Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*)) payable under Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*)) (the "**Relevant Amount**") as the same shall become due, the Issuer shall, in accordance with the Agency Agreement, by no later than 10:00 a.m. (Hong Kong time) on the Business Day falling ten Business Days (the "**Pre-funding Date**") prior to the due date for such payment:
- (i) unconditionally pay or procure to be paid the Relevant Amount in immediately available cleared funds into the Pre-funding Account; and
 - (ii) deliver to the Trustee and the Principal Paying Agent (x) a Payment and Solvency Certificate (as defined below in this Condition 1) signed by one Authorised Signatory, and (y) a copy of the irrevocable payment instruction from the Issuer to the Pre-funding Account Bank requesting the Pre-funding Account Bank to pay the Relevant Amount which was paid into the Pre-funding Account on the relevant Pre-funding Date in full to the Principal Paying Agent no later than 10:00 a.m. (Hong Kong time) on the Business Day immediately preceding the due date for such payment (together, the "**Required Confirmations**").

The Pre-funding Account Bank shall notify the Trustee as soon as reasonably practicable upon the failure by the Issuer to pay the Relevant Amount into the Pre-funding Account in accordance with these Conditions.

So long as any Bond is outstanding, save with the approval of the Trustee or an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, the Issuer shall not make (or cause to be made on its behalf) any withdrawal from the Pre-funding Account under any circumstances (other than in accordance with the Required Confirmations or in accordance with these Conditions), and the Pre-funding Account Bank shall be entitled to disregard any instruction to effect any such withdrawal from the Issuer (or any person acting on its behalf).

If the Relevant Amount has not been paid into the Pre-funding Account in full, or the Trustee does not receive the Required Confirmations, in each case by 10:00 a.m. (Hong Kong time) on the Business Day immediately following the Pre-funding Date (the "**Pre-funding Failure**"), the Trustee shall (x) as soon as reasonably practicable give notice substantially in the form set out in the Trust Deed (the "**Pre-funding Failure Notice**") to the Bondholders of (I) the Pre-funding Failure and (II) the redemption of the Bonds in accordance with Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*) to occur as a result of the

Pre-funding Failure and (y) by no later than 5:00 p.m. (Hong Kong time) on the second Business Day following such Pre-funding Date, issue a Demand to the LC Bank (which will be presented by the Trustee) for the Mandatory Redemption Amount in respect of all of the Bonds then outstanding, together with interest accrued to, but excluding, the Mandatory Redemption Date (as defined in Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*)) together with any fees, costs, expenses, indemnity payments and all other amounts payable by the Issuer or the Company to the Trustee under or in connection with the Bonds, the Guarantee, the Trust Deed, the Agency Agreement and/or any other transaction documents relating to the Bonds, being an amount not exceeding the Maximum Limit, *provided that*, in accordance with the terms of the Standby Letter of Credit, the Trustee need not physically present the Demand to the LC Bank and shall be entitled to draw on the Standby Letter of Credit by way of a Demand by authenticated SWIFT sent on its behalf (or otherwise as permitted under the Standby Letter of Credit).

After receipt by the LC Bank of such Demand by 5:30 p.m. (Hong Kong time) on a Business Day, the LC Bank shall by 10:00 a.m. (Hong Kong time) on the fourth Business Day after such Business Day (or, if such Demand is received after 5:30 p.m. (Hong Kong time) on a Business Day, by 10:00 a.m. (Hong Kong time) on the fifth Business Day after such Business Day), pay to, or to the order of, the Trustee the amount in Renminbi specified in the Demand in immediately available funds to the LC Proceeds Account.

For the purposes of these Conditions:

“**Authorised Signatory**” means any director or any other officer of the Issuer or the Company (as the case may be) who has been authorised by the Issuer or the Company (as the case may be) to sign any certificate or other document required or contemplated under the Trust Deed, the Agency Agreement, the Guarantee, the Standby Letter of Credit or any other transaction document in relation to the Bonds on behalf of, and so as to bind, the Issuer or the Company (as the case may be), and which the Issuer or the Company has notified in writing to the Trustee and the Agents in accordance with the Agency Agreement;

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

“**LC Proceeds Account**” means a non-interest-bearing Renminbi account that will be established in the name of the Trustee with the LC Proceeds Account Bank;

“**Payment and Solvency Certificate**” means a certificate in English, in substantially the form set forth in the Agency Agreement, stating the Relevant Amount and its due date under the Bonds and confirming that (a) a payment for the Relevant Amount has been made by the Issuer to the Pre-funding Account in accordance with Condition 1(e) (*Pre-funding*) and (b) each of the Issuer and the Company is solvent; and

“**Pre-funding Account**” means a non-interest-bearing Renminbi account that will be established in the name of the Issuer with the Pre-funding Account Bank.

2. Register, Title and Transfers

- (a) *Register*: The Registrar will maintain a register (the “**Register**”) in respect of the Bonds in accordance with the provisions of the Agency Agreement. In these Conditions, the “**holder**” of a Bond means the person in whose name such Bond is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Bondholder**” shall be construed accordingly. A certificate (each, a “**Certificate**”) will be issued to each

Bondholder in respect of its registered holding. Each Certificate will be numbered serially with an identifying number which will be recorded in the Register. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

- (b) *Title:* The holder of each Bond shall (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as the absolute owner of such Bond for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer, duly completed) or any notice of any previous destruction, loss or theft of such Certificate) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 except and to the extent that the Bonds or the Trust Deed expressly provides for such ordinance to apply to any of its terms.

The Bonds are the subject of an offshore bond issuance, registration, payment services agreement dated 5 December 2022 (the “CCDC Agency Agreement”) entered into between the Issuer and China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司) (“CCDC”). The Bondholders are bound by, and are deemed to have notice of, all the provisions of the CCDC Agency Agreement applicable to them. A copy of the CCDC Agency Agreement is available for inspection at all reasonable times during usual business hours by the Bondholders at the principal place of business of the Issuer (being as at the Issue Date at Unit 7, 17/F., The Galaxy, No. 313 Castle Peak Road, Kwai Chung, New Territories, Hong Kong) following prior written request and proof of holding and identity to the satisfaction of the Issuer.

The Bonds will initially be issued in uncertificated book-entry form held in CCDC with CCDC entered in the Register as the sole registered holder on behalf of the persons notionally entitled thereto. When the Bonds are held in CCDC, a “Bondholder” or, in respect of any Bond, a “Holder” means the person in whose name an interest in the Bonds is entered on the books and records of CCDC and the principal amount of the Bonds shown in the books and records of CCDC as held by such Bondholder shall represent the entire holding of interest in the Bonds of that Bondholder.

When the Bonds are held in CCDC, CCDC does not assume any obligation or relationship of agency or trust for or with any Bondholder and each of CCDC, the Issuer and the Company reserves the right at any time without the prior written approval of the Trustee to terminate the CCDC Agency Agreement, provided that such termination will not be effective until all books and records relating to the Bonds maintained by CCDC have been properly transferred to its successor, the Issuer or the Company.

If the Bonds are held in CCDC, a Bondholder may, on or after the Exchange Date (as defined below), exchange its interest in the Bonds (as shown in the books and records of CCDC) in whole but not in part for registered certificates at the cost of the Issuer if (1) CCDC is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (2) the CCDC Agency Agreement is terminated.

“Exchange Date” means a day falling not less than 60 calendar days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying Agent is located and, in the case of exchange pursuant to (2) above, in the city in which CCDC is located.

- (c) *Transfers*: Subject to paragraphs (f) (*Closed periods*) and (g) (*Regulations concerning transfers and registration*) below, a Bond may be transferred upon surrender of the relevant Certificate, with the form of transfer endorsed thereon (or obtainable from the Registrar or any Transfer Agent) duly completed and signed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Bond may not be transferred unless the principal amount of Bonds transferred and (where not all of the Bonds held by a holder are being transferred) the principal amount of the balance of Bonds not transferred are Authorised Denominations. Where not all the Bonds represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Bonds will be issued to the transferor and a new Certificate shall be issued to the transferee in respect of the part transferred. In the case of a transfer of Bonds to a person who is already a holder, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds held in CCDC must be in an Authorised Denomination and will be effected in accordance with the rules and procedures of CCDC and the Custodian in effect from time to time, and any transferee acquiring such interests in the Bonds will be required to maintain an account (in the case of a FTZ Bondholder) or a sub-account via the Custodian (in the case of an Offshore Bondholder) with CCDC.

“Custodian” means any custodian who maintains an account with, and is recognised as a custodian by, CCDC.

“FTZ Bondholder” means a holder of Bonds who is located in the Shanghai Free Trade Zone and who maintains an account with CCDC.

“Offshore Bondholder” means a holder of Bonds who is located outside the PRC and maintains a sub-account via the Custodian with CCDC.

- (d) *Registration and delivery of Certificates*: Within seven business days of the surrender of a Certificate and the provision of such evidence in accordance with paragraph (c) (*Transfers*) above of this Condition 2, the Registrar will register the transfer in question and deliver a new Certificate of a like principal amount to the Bonds transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured mail to the address specified for the purpose by such relevant holder. In this paragraph, “**business day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.

So long as the Bonds are held in CCDC, owners of interests in the Bonds will not be entitled to receive physical delivery of Certificates. The Bonds are not issuable in bearer form.

- (e) *No charge*: The transfer of a Bond will be effected without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent but against such payment or indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax, duty, assessment or other duty of whatever nature which may be levied or imposed in connection with such transfer.

- (f) *Closed periods*: Bondholders may not require transfers to be registered (i) during the period of 15 days ending on (and including) the due date for any payment of principal (or premium) or interest in respect of the Bonds or (ii) during the Initial Exercise Period or Substituted Exercise Period (as the case may be).
- (g) *Regulations concerning transfers and registration*: All transfers of Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Bonds (the “**Regulations**”), the initial form of which is scheduled to the Agency Agreement. The Regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar, or by the Registrar, with the prior written approval of the Trustee. A copy of the current Regulations will be made available for inspection by the Registrar at the Registrar’s specified office at all reasonable times during normal business hours (being between 9:00 a.m. (Hong Kong time) and 3:00 p.m. (Hong Kong time), Monday to Friday other than public holidays) to any Bondholder upon prior written request and satisfactory proof of holding and identity.

3. Covenants

- (a) *Negative Pledge*: So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Company shall, and each of the Issuer and the Company shall procure that none of their respective Subsidiaries will, create, permit to subsist or have outstanding any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below) or to secure any guarantee or indemnity given in respect of any Relevant Indebtedness without at the same time or prior thereto (i) securing the Bonds equally and rateably therewith or (ii) providing such other security for the Bonds as shall be approved by an Extraordinary Resolution of Bondholders.
- (b) *Financial Statements, etc.*: So long as any Bond remains outstanding:
 - (i) each of the Issuer and the Company shall provide to the Trustee a Compliance Certificate within 14 calendar days of a request in writing by the Trustee and at the time of provision of the Audited Financial Reports;
 - (ii) as soon as practicable after the date of publication and in any event not more than 150 calendar days after the end of each Relevant Period, the Company shall provide to the Trustee a copy of the relevant Audited Financial Reports prepared in accordance with PRC GAAP (audited by Reanda Certified Public Accountants LLP or a nationally or internationally recognised firm of independent accountants of good repute); and
 - (iii) as soon as practicable after the date of publication and in any event not more than 90 calendar days after the end of each Relevant Period, the Company shall provide to the Trustee a copy of the Interim Financial Reports prepared on a basis consistent with the most recent Audited Financial Reports;

and if such reports shall be in the Chinese language, together with an English language translation of the same translated by (A) Reanda Certified Public Accountants LLP or a nationally or internationally recognised firm of independent accountants of good repute or (B) a professional translation service provider and checked and confirmed by Reanda Certified Public Accountants LLP or a nationally or internationally recognised firm of independent accountants of good repute, together with a certificate signed by an Authorised

Signatory of the Company certifying that such translation is complete and accurate (on each of which the Trustee may conclusively rely without liability to any Bondholder or any other person).

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

(c) *Notification to NDRC:*

- (i) The Company undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date (as defined in Condition 4 (*Interest*)) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015] 2044 號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules or guidelines as issued by the NDRC from time to time (the “**NDRC Post-issue Filing**”).
- (ii) The Company shall comply with all applicable PRC laws and regulations in connection with the issuance of the Bonds and shall, within 10 PRC Business Days after submission of such NDRC Post-issue Filing, (i) provide the Trustee with a certificate in English (substantially in the form scheduled to the Trust Deed) signed by an Authorised Signatory of the Company confirming the submission of the NDRC Post-issue Filing and certifying that copies of the documents filed with the NDRC (which shall be attached to such certificate) are true and complete copies of the originals (the “**Registration Documents**”), and (ii) give notice in English to the Bondholders in accordance with Condition 15 (*Notices*) confirming the submission of the NDRC Post-issue Filing.
- (iii) The Trustee may rely conclusively on the Registration Documents and shall have no duty or obligation to monitor or ensure or assist with the completion of (or otherwise assist with) the NDRC Post-issue Filing on or before the deadline referred to above or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing, or to translate or procure the translation into English of any document referred to above which is in the Chinese language or to give notice to the Bondholders confirming the submission of the NDRC Post-issue Filing and shall not be liable to Bondholders or any other person for not doing so, and may rely conclusively on the certificate and documents referred to above without liability to any Bondholder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein.

(d) *Registration of the Guarantee:*

- (i) The Company undertakes to (A) cause to be submitted an application for registration with the State Administration of Foreign Exchange of the PRC or its local branch (“**SAFE**”) the Guarantee in accordance with, and within the time period prescribed by, the Provision on the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 and effective from 1 June 2014 (the “**Cross-border Security Registration**”), and any implementation rules as issued by SAFE from time to time; (B) use all reasonable

endeavours to complete the Cross-border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline; and (C) shall comply with all applicable PRC laws and regulations in connection with the issuance of the Bonds and the Guarantee.

- (ii) The Company shall within 10 PRC Business Days after the receipt of the registration form or filing evidence from SAFE (or any other document evidencing the completion of the Cross-border Security Registration), (A) provide the Trustee with a certificate (substantially in the form scheduled to the Trust Deed) signed by an Authorised Signatory confirming the completion of the Cross-border Security Registration (together with the document(s) evidencing the completion of the Cross-border Security Registration, and the particulars of registration in respect of the Cross-border Security Registration) and (B) give notice to the Bondholders in accordance with Condition 15 (*Notices*) confirming the completion of the Cross-border Security Registration.
- (iii) The Trustee shall have no duty or obligation to monitor or ensure the completion of (or otherwise assist with) the Cross-border Security Registration on or before the deadline referred to above or to verify the accuracy, completeness, content, validity and/or genuineness of any documents in relation to or in connection with the Cross-border Security Registration, or to translate or procure the translation into English of any document referred to above which is in the Chinese language or to give notice to the Bondholders confirming the completion of the Cross-border Security Registration and shall not be liable to Bondholders or any other person for not doing so, and may rely conclusively on the certificate and documents referred to above without liability to any Bondholder or any other person for the accuracy, completeness, content, validity and/or genuineness of any matters or facts stated therein.

In these Conditions:

“**Audited Financial Reports**” means the annual audited consolidated balance sheet, income statement and statement of cash flows of the Company and statement of changes in owners’ equity of the Company together with any statements, reports (including any directors’ and auditors’ reports) and notes attached to or intended to be read with any of them;

“**Compliance Certificate**” means a certificate in English substantially in the form set out in the Trust Deed of the Issuer or the Company (as the case may be) signed by an Authorised Signatory certifying that, having made all due and reasonable enquiries, to the best of the knowledge, information and belief of the Issuer or the Company (as the case may be), as at a date (the “**Certification Date**”) not more than five days before the date of the certificate:

- (a) no Change of Control (as defined in Condition 5(c) (*Redemption for a Relevant Event*)), Non-Registration Event (as defined in Condition 5(c) (*Redemption for a Relevant Event*)), Event of Default, or an event or circumstance which could, with the giving of notice, lapse of time, the issue of a certificate and/or fulfilment of any other requirement or condition provided for in Condition 8 (*Events of Default*), become an Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and
- (b) each of the Issuer and the Company has complied with all its covenants and obligations under the Bonds, the Guarantee and the Trust Deed or, if any non-compliance had occurred, giving details of the same;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Interim Financial Reports**” means the semi-annual unaudited consolidated balance sheet, income statement and statement of cash flows of the Company and statement of changes in owners’ equity of the Company, together with any statements, reports (including any directors’ and auditors’ review reports) and notes attached to or intended to be read with any of them, if any;

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

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

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

“**PRC Business Day**” means a day on which commercial banks are open for business in the PRC;

“**PRC GAAP**” means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC and all applicable guidance, bulletins and other relevant accounting regulations issued thereafter, as amended from time to time;

“**Registration Deadline**” means the day falling 180 calendar days after the Issue Date;

“**Relevant Indebtedness**” means any indebtedness incurred outside the PRC and which is in the form of, or represented by, any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market, but for the avoidance of doubt, does not include bilateral loans, syndicated loans or club deal loans);

“**Relevant Period**” means:

- (a) in relation to the Audited Financial Reports, each period of twelve months ending on the last day of their respective financial year (being 31 December of each financial year); and
- (b) in relation to the Interim Financial Reports, each period of six months ending on the last day of their respective first half financial year (being 30 June of each financial year);

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

“**Subsidiary**” means, in relation to any Person (the “**first Person**”) at any particular time, any other Person (the “**second Person**”):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or

- (b) whose financial statements are or should be, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person.

4. Interest

The Bonds bear interest on their outstanding principal amount from and including 16 December 2022 (the “**Issue Date**”) at the rate of 4.2 per cent. per annum, (the “**Rate of Interest**”) payable semi-annually in equal instalments in arrear on 16 June and 16 December in each year (each, an “**Interest Payment Date**”) commencing on 16 June 2023, subject as provided in Condition 6 (*Payments*).

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

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**”.

The amount of interest payable on each Interest Payment Date shall be RMB21,000 in respect of each RMB1,000,000 in principal amount of the Bonds. If interest is required to be calculated for a period of less than a complete Interest Period, the relevant day-count fraction will be determined on the basis of the actual number of days elapsed and a year of 365 days, with the resulting interest being rounded to the nearest cent (half a cent being rounded upwards).

5. Redemption and Purchase

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 16 December 2025, subject as provided in Condition 6 (*Payments*).
- (b) *Redemption for tax reasons*: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent at their principal amount, together with interest accrued to (but not including) the date fixed for redemption in such notice, if, immediately before giving such notice, the Issuer satisfies the Trustee that:
 - (i) (A) the Issuer has or will become obliged to pay Additional Amounts (as provided or referred to in Condition 7 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of the PRC (including the China (Shanghai) Pilot Free Trade Zone) or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 December 2022; and (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or

- (ii) (A) the Company has or will become obliged to pay Additional Amounts (as provided or referred to in Condition 7 (*Taxation*)) as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after 9 December 2022; and (B) such obligation cannot be avoided by the Company taking reasonable measures available to it; or

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

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

- (A) a certificate signed by any Authorised Signatory of the Issuer or the Company (as the case may be) stating that the obligation referred to in (i) or (ii) above of this Condition 5(b) cannot be avoided by the Issuer or the Company (as the case may be) taking reasonable measures available to it; and
- (B) an opinion in form and substance satisfactory to the Trustee of independent legal or tax advisers of recognised standing to the effect that the Issuer or the Company (as the case may be) has or will become obliged to pay such Additional Amounts as a result of such change or amendment.

The Trustee shall be entitled (but shall not be obliged) to accept and conclusively rely upon such certificate and opinion without further investigation or inquiry and without liability to the Bondholders or any other person as sufficient evidence of the satisfaction of the circumstances set out in (A) and (B) above, in which event they shall be conclusive and binding on the Bondholders, and the Trustee shall be protected and shall have no liability to any Bondholder or any person for so accepting and relying on such certificate or opinion.

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

- (c) *Redemption for a Relevant Event*: At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 100 per cent. of their principal amount, together with interest accrued to, but excluding, such Put Settlement Date. To exercise such right, the holder of the relevant Bond must deposit at the Specified Office of any Paying Agent a duly completed and signed notice of redemption, substantially in the form scheduled to the Agency Agreement, obtainable from the Specified Office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed by (i) not later than 30 days following the occurrence of a Relevant Event (the "**Initial Exercise Period**"), or (ii) if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer as specified below (the "**Substituted Exercise Period**"). The "**Put Settlement Date**" shall, subject to Condition 5(d) (*Mandatory redemption upon Pre-funding Failure*), be the 14th day after the expiry of (1) the Initial Exercise Period where the option is exercised during the Initial Exercise Period and the Substituted Exercise Period does not commence before expiry of the Initial Exercise Period or (2) in all other circumstances, the Substituted Exercise Period.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid.

The Issuer and the Company shall give notice to Bondholders in accordance with Condition 15 (*Notices*) and to the Trustee and the Principal Paying Agent in writing by not later than (a) 14 days following the first day on which it becomes aware of the occurrence of a Change of Control or (b) 5 days following the first day on which it becomes aware of a Non-Registration Event, which notice shall specify:

- (i) the applicable Put Settlement Date;
- (ii) the date of the Change of Control or Non-Registration Event and, briefly, the events causing the Change of Control or Non-Registration Event, as applicable;
- (iii) the date by which a Put Exercise Notice must be given;
- (iv) the redemption amount and the method by which such amount will be paid;
- (v) the names and addresses of all Paying Agents;
- (vi) the procedures that holders must follow and the requirements that holders must satisfy in order to exercise their right to require redemption of the Bonds pursuant to this Condition 5(c); and
- (vii) that a Put Exercise Notice, once validly given, may not be withdrawn.

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

So long as the Bonds are held in CCDC, a right of a Bondholder to redemption of the Bonds following the occurrence of any Relevant Event will be effected in accordance with the rules of the CCDC.

In these Conditions:

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

- (i) the Controlling Persons together cease to hold, directly or indirectly, 100 per cent. of the issued share capital of the Company; or
- (ii) the Company ceases to hold, directly or indirectly, 100 per cent. of the issued share capital of the Issuer; or
- (iii) the Issuer or the Company consolidates with or merges into or sells or transfers all or substantially all of its assets to any Person that is not directly or indirectly wholly owned by the Controlling Persons,

“**Controlling Person**” means any of (A) the People’s Government of Xishan District, Wuxi City or its successor, (B) the Central Government of the PRC or (C) any entity directly or indirectly wholly owned by those entities listed in (A) and/or (B).

a “**Non-Registration Event**” occurs when the Cross-border Security Registration has not been completed on or prior to the Registration Deadline.

a “**Relevant Event**” means the occurrence of a Change of Control or a Non-Registration Event.

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

- (d) *Mandatory redemption upon Pre-funding Failure:* If a Pre-funding Failure occurs in respect of a scheduled payment of principal or interest payable under these Conditions, the Bonds shall be redeemed, in whole, but not in part, at their principal amount (the “**Mandatory Redemption Amount**”) on the Interest Payment Date falling immediately after the date the Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 1e (*Pre-funding*) (the “**Mandatory Redemption Date**”), together with interest accrued to, but excluding, the Mandatory Redemption Date.

If the holder of any Bond shall have exercised its right to require the Issuer to redeem its Bond under Condition 5(c) (*Redemption for a Relevant Event*) and a Pre-funding Failure Notice is given to the Bondholders in accordance with Condition 1(e) (*Pre-funding*) as a result of the Pre-funding Failure relating to the amount payable pursuant to such redemption, all but not some only of the Bonds then outstanding shall be redeemed at the Mandatory Redemption Amount in accordance with this Condition 5(d) on the Put Settlement Date, together with interest accrued to but excluding such Put Settlement Date, *provided that* if such Pre-funding Failure occurs and concurrently a Pre-funding Failure Notice has been given or is given to the Bondholders in respect of a scheduled payment of principal or interest payable under Condition 4 (*Interest*) or Condition 5(a) (*Scheduled redemption*), the Put Settlement Date shall be the Mandatory Redemption Date.

- (e) *No other redemption:* The Issuer shall not be entitled to redeem the Bonds otherwise than as provided in paragraphs (a) (*Scheduled redemption*) to (d) (*Mandatory redemption upon Pre-funding Failure*) above of this Condition 5.
- (f) *Purchase:* The Issuer, the Company, the LC Bank or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise and at any price.
- (g) *Cancellation:* All Bonds so redeemed or purchased by the Issuer, the Company or any of their respective Subsidiaries shall be cancelled and may not be reissued or resold. All Bonds so redeemed or purchased by the LC Bank may be reissued or resold.
- (h) *Calculations:* Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption or Put Exercise Notice or have a duty to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection therewith, and shall not be liable to the Issuer, Bondholders or any other person for not doing so.

6. Payments

- (a) *Principal:* Payments of principal (and premium, if any) shall be made by transfer to the registered account of the holder and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent. In these Conditions, the “**registered account**” of a Holder means the Euro account (or other account to which Euro may be credited or transferred) maintained by or on behalf of such Holder with a bank that processes payments in Renminbi, details of which appear in the Register.

- (b) *Interest:* Payments of interest shall be made by transfer to the registered account of the holder and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Certificates at the Specified Office of any Paying Agent.

*Notwithstanding the foregoing, so long as the Bonds are held in CCDC, payments of principal or any premium of, or interest on, the Bonds will be made into CCDC for distribution to the FTZ Bondholders and to the Custodian for the benefit of the Offshore Bondholders. The Custodian will then distribute the relevant amount to each Offshore Bondholder as shown in the books and records of CCDC (and to the bank account shown in the records maintained by the Custodian). Each payment made by CCDC and the Custodian will be made to, or to the order of, the persons shown as holders of the Bonds in the books and records of CCDC at the close of business on the CCDC Business Day immediately prior to the date for payment in accordance with the rules of CCDC, where “**CCDC Business Day**” means a day, other than a Saturday, Sunday or public holiday of the PRC or prescribed by special regulations, on which CCDC is operating.*

- (c) *Record date:* Each payment in respect of a Bond will be made to the holders at their registered accounts shown on the Register at the close of business on the fifth Payment Business Day before the due date for such payment (the “**Record Date**”).
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bonds are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.
- (e) *Payments on business days:* Payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated (i) (in the case of payments of principal (and premium, if any) and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Certificate is surrendered (or, in the case of part payment only, endorsed) at the specified office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment, and in either case of (i) and (ii), if that is not a Payment Business Day, to be initiated on the first following day which is a Payment Business Day. A holder of a Bond shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a Payment Business Day or a day on which the bank where a registered account is maintained is open for receipt of such transfers, or if the holder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a transfer made in accordance with Condition 6(b) arrives in the registered account of the Bondholder after the due date for payment.
- (f) In this Condition 6, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business in Hong Kong and Beijing and, in the case of surrender (or, in the case of part payment only, endorsement) of a Certificate, the place in which the Specified Office of the relevant Paying Agent is located.

- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Bond, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Certificate.

7. Taxation

All payments of principal, premium (if any) and interest in respect of the Bonds, the Guarantee and the Trust Deed by or on behalf of the Issuer or the Company shall be made without set-off or counterclaim and free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone), or in each case any political subdivision thereof or any authority therein or thereof having power to tax, unless such set-off, counterclaim, withholding or deduction is required by law. For the avoidance of doubt, the Issuer's obligation to pay free and clear of taxes, duties, assessments and other governmental charges will not apply to any holder (or to a third party on behalf of such holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the PRC (including China (Shanghai) Pilot Free Trade Zone) other than the mere holding of the Bond.

Where such withholding or deduction is made by the Issuer or the Company by or within the PRC (including the China (Shanghai) Pilot Free Trade Zone) at the aggregate rate applicable on 9 December 2022 (the "**Applicable Rate**"), the Issuer or the Company (as the case may be) will increase the amounts paid by it to the extent required, so that the net amount received by the Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or the Company (as the case may be) is required to make such deduction or withholding by or within Hong Kong or the PRC (including the China (Shanghai) Pilot Free Trade Zone) in excess of the Applicable Rate, the Issuer or the Company (as the case may be) shall pay such additional amounts (the "**Additional Amounts**") as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

- (i) held by a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the PRC (including the China (Shanghai) Pilot Free Trade Zone) other than the mere holding of the Bond; or
- (ii) where (in the case of a payment of principal or interest on redemption) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such Additional Amounts if it had surrendered the relevant Certificate on the last day of such period of 30 days.

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

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any Additional Amounts or other additional amounts (as the case may be) which may be payable under this Condition 7 or any undertaking given in addition to or in substitution of this Condition 7 pursuant to the Trust Deed.

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

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, deduction, assessments, withholding or other payment referred to in this Condition 7 or otherwise in connection with the Bonds or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Company, the LC Bank, the Bondholders or any other person to pay such tax, duty, charge, assessments, deduction, withholding or other payment in any jurisdiction or be responsible to provide any notice or information that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, assessments, deduction, withholding or other payment imposed by or in any jurisdiction.

8. Events of Default

If an Event of Default occurs, then the Trustee at its sole and absolute discretion may and, if so requested in writing by Bondholders of at least one-quarter of the aggregate principal amount of the Bonds outstanding (as defined in the Trust Deed) or if so directed by an Extraordinary Resolution of the Bondholders, shall (subject to the Trustee having been indemnified and/or pre-funded and/or secured to its satisfaction) give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest without further action or formality. An “**Event of Default**” occurs if:

(A) with respect to the Issuer or the Company:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Bonds on the due date for payment thereof or fails to pay any amount of interest on the Bonds within 14 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer or the Company defaults in the performance or observance of any of its other obligations under or in respect of the Bonds, the Guarantee, the Trust Deed (other than where it gives rise to a right of redemption pursuant to Condition 5(c) (*Redemption for a Relevant Event*)) and such default (i) is incapable of remedy or (ii) being a default which is capable of remedy remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Company (as the case may be), *provided that* any non-compliance with Condition 1(e) (*Pre-funding*) does not constitute an Event of Default under this Condition 8(A)(b) unless and until an Event of Default has occurred under Condition 8(A)(a) (*Non-payment*); or
- (c) *Cross-default of Issuer, Company or Subsidiary*:
 - (i) any other present or future indebtedness of the Issuer, the Company or any of their respective Subsidiaries for or in respect of moneys borrowed or raised is not paid when due or (as the case may be) within any originally applicable grace period;

- (ii) any such indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer, the Company or (as the case may be) the relevant Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness;
- (iii) the Issuer, the Company or any of their respective Subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness;

provided that the amount of indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above, individually or in the aggregate, exceeds U.S.\$10,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

- (d) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or any material part of the property, assets or revenues of the Issuer, the Company or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days; or
- (e) *Security enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any material part of the undertaking, assets and revenues of the Issuer, the Company or any of their respective Principal Subsidiaries and such action is not discharged or stayed within 45 days; or
- (f) *Insolvency, etc.*: (i) the Issuer, the Company or any of their respective Principal Subsidiaries is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or is unable to pay its debts as they fall due, (ii) an administrator or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer, the Company or any of their respective Principal Subsidiaries or the whole or any material part of the undertaking, assets and revenues of the Issuer, the Company or any of their respective Principal Subsidiaries, (iii) the Issuer, the Company or any of their respective Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer, the Company or any of their respective Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business except (x) in the case of a Principal Subsidiary, where the cessation is for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation whereby the undertaking, assets and revenues of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary of the Issuer, or (y) on terms approved by an Extraordinary Resolution of the Bondholders; or
- (g) *Winding up, etc.*: an order is made from a court of competent jurisdiction or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, the Company or any of their respective Principal Subsidiaries, except (i) in the case of a Principal Subsidiary, for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation whereby the undertaking, assets and revenues of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or another Subsidiary

of the Issuer; (ii) on terms approved by an Extraordinary Resolution of the Bondholders; or (iii) for a solvent winding up of any Principal Subsidiary; or

- (h) *Government Intervention*: (i) all or any material part of the undertaking, assets and revenues of the Issuer, the Company or any of their respective Principal Subsidiaries is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government or (ii) the Issuer, the Company or any of their respective Principal Subsidiaries is prevented by any such person from exercising normal control over all or any material part of its undertaking, assets and revenues, and such condemnation, seizure, appropriation or prevention is not discharged or lifted within 45 days; or
 - (i) *Analogous event*: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (d) (*Unsatisfied judgment*) to (h) (*Government Intervention*) above; or
 - (j) *Illegality*: it is or will become unlawful for the Issuer or the Company to perform or comply with any of its obligations under or in respect of the Bonds, the Trust Deed or the Guarantee; or
 - (k) *Authorisation and Consents*: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or the Company (as the case may be) lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Bonds, the Trust Deed or the Guarantee, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Certificates, the Register, the Trust Deed and the Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
 - (l) *Standby Letter of Credit*: the Standby Letter of Credit is not (or is claimed by the LC Bank not to be) enforceable, valid or in full force and effect; or
 - (m) *Guarantee*: the Guarantee is not (or is claimed by the Company not to be) enforceable, valid or in full force and effect; or
- (B) with respect to the LC Bank:
- (a) *Cross-default*: (A) any other present or future Public External Indebtedness of the LC Bank or any of the LC Bank Subsidiaries becomes due and payable prior to its stated maturity by reason of any actual default, event of default or the like (howsoever described) in respect of the terms thereof, or (B) any principal of such Public External Indebtedness is not paid when due or, as the case may be, within any applicable grace period, *provided that* the aggregate amount of the relevant Public External Indebtedness in respect of which one or more of the events mentioned above in this paragraph have occurred equals or exceeds U.S.\$25,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against U.S. dollars as quoted by any leading bank on the day on which this paragraph operates); or
 - (b) *Enforcement Proceedings*: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the LC Bank or any of the LC Bank Material Subsidiaries and is not discharged or stayed within 45 days; or

- (c) *Insolvency*: the LC Bank or any of the LC Bank Material Subsidiaries is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt or is unable to pay its debts, stops or suspends payment of all or a substantial part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a substantial part of the debts of the LC Bank or any of the LC Bank Material Subsidiaries; or
- (d) *Winding-up*: an order is made or an effective resolution passed for the winding-up or dissolution or administration of the LC Bank or any of the LC Bank Material Subsidiaries, or the LC Bank ceases to carry on all or a substantial part of its business or operations, except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution of the Bondholders and by the shareholders of the LC Bank and/or the relevant LC Bank Material Subsidiaries or (ii) a solvent winding up of any LC Bank Material Subsidiary or (iii) in the case of an LC Bank Material Subsidiary, whereby the undertaking and assets of such LC Bank Material Subsidiary are transferred to or otherwise vested in the LC Bank and/or any other LC Bank Material Subsidiaries; or
- (e) *Illegality*: it is or will become unlawful for the LC Bank to perform or comply with any one or more of its obligations under the Standby Letter of Credit.

In this Condition 8:

“LC Bank Material Subsidiary” means an LC Bank Subsidiary whose total assets, total revenue or net profit on the date as at which its latest audited financial statements were prepared or, as the case may be, for the financial period to which such audited financial statements relate, account for 5 per cent. or more of the consolidated total assets, consolidated total revenue or consolidated net profit of the LC Bank as of such date or for such period. If an LC Bank Subsidiary transfers all of its assets and business to another LC Bank Subsidiary, the transferee shall become a LC Bank Material Subsidiary and the transferor shall cease to be an LC Bank Subsidiary on completion of such transfer;

“LC Bank Subsidiary” means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the LC Bank; and

“Principal Subsidiary” means any Subsidiary of the Company:

- (a) whose operating income or (in the case of a Subsidiary which itself has Subsidiaries) consolidated operating income, as shown by its latest audited income statement are at least 3 per cent. of the consolidated operating income as shown by the latest published audited consolidated income statement of the Company; or
- (b) whose net profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated net profit, as shown by its latest audited income statement are at least 3 per cent. of the consolidated net profit as shown by the latest published audited consolidated income statement of the Company including, for the avoidance of doubt,

the Company and its consolidated Subsidiaries' share of profits of subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) total consolidated assets, as shown by its latest audited balance sheet are at least 3 per cent. of the amount which equals the amount included in the consolidated total assets of the Company as shown by the latest *published* audited consolidated balance sheet of the Company including the investment of the Issuer and its consolidated Subsidiaries in each subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Issuer and after adjustment for minority interests; or
- (d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, *provided that* the Principal Subsidiary which so *transfers* its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate), of the Issuer prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition,

provided that, in relation to paragraphs (a), (b) or (c) above of this definition:

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Issuer relate, the reference to the then latest consolidated audited accounts of the Issuer for the purposes of the calculation above shall, until consolidated audited accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated *audited* accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, operating income, net profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of *pro forma* consolidated accounts prepared for this purpose by the Company;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its operating income, net profit or total assets (consolidated, if appropriate) shall be determined on the basis of *pro forma* accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Company; and
- (iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer.

A certificate in English signed by any Authorised Signatory of the Company confirming that a Subsidiary is or is not, or was or was not, a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“Public External Indebtedness” means any indebtedness of the LC Bank or any LC Bank Subsidiary, or any guarantee or indemnity by such entity of indebtedness, for money borrowed which (x) is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and which is issued outside the PRC (without regard, however, to whether or not such instruments are sold through public offerings or private placements); and (y) has an original maturity of more than 365 days.

The Trustee and the Agents shall not be obliged to take any steps to ascertain whether an Event of Default or Potential Event of Default has occurred or to monitor the occurrence of any Event of Default or Potential Event of Default, and shall not be liable to the Bondholders or any other person for not doing so. In particular, the Trustee will not receive any ongoing information or certifications from the LC Bank and will not be in a position to determine at any stage whether or not an Event of Default or Potential Event of Default in relation to the LC Bank has occurred. In this regard, the Trustee is entitled to conclusively rely without further enquiry on Compliance Certificates from the Issuer as to whether or not any such Event of Default or Potential Event of Default has occurred.

9. Prescription

Claims for principal and interest on redemption shall become void unless the relevant Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

10. Replacement of Certificates

If any Certificate is or is alleged to be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

11. Trustee and Agents

Under the Trust Deed, the Trustee is entitled to be indemnified and/or pre-funded and/or secured and relieved from responsibility in certain circumstances and to be paid its fees, costs, expenses and indemnity payments in priority to the claims of the Bondholders, including without limitation provisions relieving it from taking steps and/or actions and/or instituting proceedings to enforce payment and its rights under the Trust Deed, the Agency Agreement, the Standby Letter of Credit, the Guarantee and/or these Conditions and in respect of the Bonds or taking other actions unless first indemnified and/or pre-funded and/or secured to its satisfaction. The Trustee, the Agents and their respective affiliates are entitled (i) to enter into business transactions with the Issuer, the Company, the LC Bank and/or any entity related to the Issuer, the Company and/or the LC Bank and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Company or any entity related to the Issuer and/or the Company, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith, (iv) to act as trustee for the bondholders of any other securities issued by or relating to, the Issuer, the LC Bank and any entity related to the Issuer and/or the LC Bank, (v) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or,

as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Bondholders, and (vi) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

In the exercise of its functions, rights, powers, trusts, authorities and discretions under these Conditions, the Trust Deed and the Guarantee, the Trustee will have regard to the general interests of the Bondholders as a class and will not be responsible for any consequence for individual Bondholders as a result of such Bondholders being connected in any way with a particular territory or taxing jurisdiction and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim from the Issuer, the Company or the Trustee, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent provided for in Condition 8 (*Events of Default*) and/or in any undertakings given in addition thereto or in substitution therefor pursuant to this Trust Deed.

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

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

None of the Trustee or any of the Agents shall have any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Standby Letter of Credit, the Guarantee or these Conditions, or ascertain whether an Event of Default, a Potential Event of Default, a Relevant Event or a Pre-funding Failure has occurred, and none of them shall be liable to the Bondholders, the Issuer, the LC Bank or any other person for not doing so.

The Bondholders shall be solely responsible for making and continuing to make its own independent appraisal of and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, the Company and the LC Bank, and the Trustee and the Agents shall not at any time have any responsibility for the same and none of the Bondholders shall rely on the Trustee or the Agents in respect thereof.

The initial Agents and their initial Specified Offices are listed below. The Issuer reserves the right (with the prior approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar or principal paying agent and additional or successor paying agents and transfer agents; *provided, however, that* the Issuer shall at all times maintain a principal paying agent and a registrar.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Bondholders by the Issuer.

12. Meetings of Bondholders; Modification and Waiver

- (a) *Meetings of Bondholders:* The Trust Deed contains provisions for convening meetings of Bondholders to consider matters relating to the Bonds, including the modification of any provision of these Conditions, the Trust Deed, the Agency Agreement, the Guarantee or the Standby Letter of Credit. Any such modification may be made if sanctioned by an Extraordinary Resolution of the Bondholders. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee upon the request in writing of Bondholders holding at least ten per cent. in aggregate principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed), and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. of the aggregate principal amount of the Bonds outstanding (as defined in the Trust Deed) or, at any adjourned meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented; **provided, however, that** certain proposals (each, a “**Reserved Matter**”) including any proposal to change any date fixed for payment of principal or interest in respect of the Bonds, to reduce the amount of principal or interest payable on any date in respect of the Bonds, to alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, to modify any of Condition 1(c) (*Standby Letter of Credit*), Condition 1(e) (*Pre-funding*) or Condition 3 (*Covenants*), to change the currency of payments under the Bonds, to effect the exchange, conversion or substitution of the Bonds for other obligations or securities, to modify (except as necessary to provide for the issuance of further Bonds in accordance with Condition 14 (*Further Issues*)) or release the Standby Letter of Credit or the Guarantee, to change the governing law of the Standby Letter of Credit or the Guarantee or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the Bonds outstanding (as defined in the Trust Deed) form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not.

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

- (b) *Modification and waiver:* The Trustee may, but shall not be obliged to, agree without the consent of the Bondholders to any modification to the Trust Deed, the Agency Agreement, the Guarantee, the Standby Letter of Credit or these Conditions that, in its opinion, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law. The Trustee may also so agree to any modification and any waiver or authorisation of any breach or proposed breach of any provision of the Trust Deed, the Agency Agreement, the Guarantee, the Standby Letter of Credit or these Conditions that is in its opinion not materially prejudicial to the interests of the Bondholders, but such power does not extend to any Reserved Matters.

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

- (c) *Directions from Bondholders:* Notwithstanding anything to the contrary in these Conditions, the Agency Agreement or the Trust Deed, the Trustee will have absolute and unfettered discretion as to the exercise or non-exercise of its functions, rights, powers, authorities and discretions under the Trust Deed, the Agency Agreement, the Guarantee, these Conditions, the Bonds and any other transaction documents and will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from their exercise or non-exercise. Whenever in this Trust Deed, the Agency Agreement, the Guarantee, the Conditions and the Bonds or by law, the Trustee is required or entitled to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee it may decline to do the same in the absence of directions, instructions, approval or clarifications from the Bondholders by way of an Extraordinary Resolution and to be indemnified and/or secured and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by the Issuer, the Company, the LC Bank, the Bondholders or any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or clarifications, or in the event that no such directions or clarifications are received by the Trustee.
- (d) *Certificates and Reports:* The Trustee and the Agents may rely without liability to the Issuer, Bondholders or any other person on a report, advice, opinion, confirmation, certificate or information from any lawyers, valuers, accountants, surveyor, banker, broker, rating agency, auctioneer, the Company's auditors, investment bank, financial advisers, financial institution, financial consultant or any other expert or professional, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee and the Agents may accept and shall be entitled to rely on any such report, information, confirmation, opinion or certificate or advice and, in such event, such report, information, confirmation, certificate, opinion or advice shall be binding on the Issuer, the Company, the LC Bank and the Bondholders.

13. Enforcement

The Trustee may at any time, at its sole and absolute discretion and without notice, take such actions or steps and/or institute such proceedings as it thinks fit to enforce its rights under the Trust Deed, the Guarantee and the Standby Letter of Credit in respect of the Bonds, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding (as defined in the Trust Deed) or has been so directed by an Extraordinary Resolution of the Bondholders; and
- (b) it has been indemnified and/or pre-funded and/or secured to its satisfaction.

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

14. Further Issues

The Issuer may from time to time, without the consent of the Bondholders and in accordance with the Trust Deed, create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date, the issue price, the first payment of interest and the timing for completion of the NDRC Post-issue Filing and the Cross-border Security Registration and the making of the notifications in respect thereof) so as to form a single series with the Bonds. However, such further securities may only be issued if (i) a further or supplemental standby letter of credit is issued by the LC Bank (or an amendment is made to the Standby Letter of Credit) on terms that are substantially similar to the Standby Letter of Credit (including that the stated amount of such further or supplemental standby letter of credit is at least equal to the sum of the principal of and an amount equal to one interest payment due on such further securities and any fees, costs, expenses, indemnity payments and all other amounts payable in connection with such issue (subject to a cap (if any) as agreed between the Issuer and the Trustee) and (ii) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Standby Letter of Credit shall thereafter include such further standby letter of credit.

15. Notices

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

So long as the Bonds are held in CCDC, any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to CCDC, for communication by it to entitled accountholders (and in turn by the Custodian to entitled sub-accountholders) in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to CCDC.

16. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds, the Trust Deed, the Guarantee and the Agency Agreement under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act.

17. Currency Indemnity

Renminbi is the sole currency of account and payment for all sums payable by the Issuer under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than Renminbi (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the Renminbi amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Renminbi amount is less than the Renminbi amount expressed to be due to the recipient under any Bond, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made.

These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgment or order.

18. Governing Law and Jurisdiction

- (a) *Governing law:* The Bonds, the Trust Deed, the Agency Agreement, the Standby Letter of Credit, the Guarantee and any non-contractual obligations arising out of or in connection therewith are governed by English law.
- (b) *Jurisdiction:* Each of the Issuer and the Company has in the Trust Deed (i) agreed that the courts of Hong Kong shall have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Bonds (including any non-contractual obligation arising out of or in connection with the Bonds); (ii) agreed that those courts are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue that any other courts are more appropriate or convenient; (iii) consented to the enforcement of any judgment; and; (v) to the extent that it may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), agreed not to claim and irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction. The Company has also in the Trust Deed appointed Cogency Global (HK) Limited at Unit B, 1/F, Lippo Leighton Tower, 103 Leighton Road, Causeway Bay, Hong Kong to accept service of any process on its behalf.

SUMMARY OF PROVISIONS RELATING TO THE BONDS HELD IN CCDC

The Trust Deed contains provisions which apply to the Bonds while they are held in CCDC. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions set out in this Offering Circular have the meaning in the paragraph below.

Promise to Pay

The Issuer, for value received, promises to pay to CCDC (for distribution to the FTZ Bondholders and to the Custodian for the benefit of the Offshore Bondholders) on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Terms and Conditions may become repayable in accordance with the Terms and Conditions) the amount payable upon redemption under the Terms and Conditions in respect of the Bonds and to pay interest in respect of such Bonds from the date of issue in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the aggregate principal amount of the Bonds outstanding, rounding the resulting figure to the nearest cent (half a cent being rounded upwards), together with such other sums and additional amounts (if any) as may be payable under the Terms and Conditions, in accordance with the Terms and Conditions. The Custodian will then distribute the relevant amount to each Offshore Bondholder shown in the records of CCDC (and to the bank account shown in the records maintained by the Custodian). Each payment made by CCDC and the Custodian will be made to, or to the order of, the persons shown as holders in the books and records of CCDC at the close of business on the CCDC Business Day immediately prior to the date for payment in accordance with the rules of CCDC, where “**CCDC Business Day**” means a day (other than a Saturday, Sunday or public holiday) on which CCDC is operating.

Exchange of Bonds

Owners of interests in the Bonds will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if CCDC is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer at its own expense will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds must provide the Registrar not less than 30 days’ notice at its specified office of such holder’s intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Notices

So long as the Bonds are held in CCDC, notices to the Bondholders shall be validly given by the delivery of the relevant notice to CCDC, for communication by it to entitled accountholders (and in turn by the Custodian to entitled sub-accountholders) in substitution for notification as required by the Terms and Conditions and shall be deemed to have been given on the date of delivery to CCDC.

Bondholders’ Redemption

The Bondholders’ redemption option in Condition 5(c) (*Redemption for a Relevant Event*) may be exercised by the entitled accountholder (and by the Custodian on behalf of an entitled sub-accountholder) giving notice to any Paying Agent of the principal amount of the Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions.

Issuer's Redemption

The Issuer's redemption option in Condition 5(b) (*Redemption for Taxation Reasons*) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the Terms and Conditions.

Transfers

Transfers of beneficial interests in the Bonds must be in a Specified Denomination and will be effected through the records of CCDC in accordance with the rules and procedures of CCDC and the Custodian. Any transferee acquiring such interests in the Bonds will be required to have and maintain an account (in the case of an FTZ Bondholder) or a sub-account via the Custodian (in the case of an Offshore Bondholder) with CCDC. Offshore Bondholders will only be able to effect transfers of their interests in the Bonds through records maintained by the Registrar, and the Registrar will instruct the Custodian to reflect such transfer in the sub-accounts maintained by the Custodian with CCDC.

Cancellation

Cancellation of any Bond by the Issuer or the Company following its redemption or purchase by the Issuer, the Company or its Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders, whereupon the Registrar shall procure the making of an appropriate entry on the Schedule hereto.

Trustee's Powers

In considering the interests of Bondholders while the Bonds are held in CCDC, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of CCDC as to the identity of its accountholders and sub-acountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders and sub-acountholders were the holders of the Bonds.

Definitions

“**Custodian**” means any custodian who maintains an account with, and is recognised as a custodian, by CCDC.

“**FTZ Bondholders**” means the holders of the Bonds who are located in the Shanghai Free Trade Zone and maintain an account with CCDC.

“**Offshore Bondholders**” means the holders of the Bonds who are located outside the PRC and maintain a sub-account via the Custodian with CCDC.

USE OF PROCEEDS

The gross proceeds from this offering will be RMB750 million. After deducting the combined management and underwriting commission and the other expenses incurred in connection with the issue of the Bonds, the Issuer plans to use the proceeds for developing its businesses.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth (i) the actual consolidated debt and capitalisation of the Group as at 31 December 2021 and (ii) as adjusted to give effect to the issuance of the Bonds offered hereby. The as adjusted information below is illustrative only. Potential investors should read this table together with the Translated Financial Statements of the Group as at and for the year ended 31 December 2021 included in this Offering Circular.

	As at 31 December 2021			
	Actual		As Adjusted	
	RMB	U.S.\$ ⁽¹⁾	RMB	U.S.\$ ⁽¹⁾
Current indebtedness				
Short-term borrowing	975,000,000.00	152,998,776.01	975,000,000.00	152,998,776.01
Current portion of non-current liabilities	439,333,333.34	68,940,986.93	439,333,333.34	68,940,986.93
Other current liabilities	2,506,397.72	393,308.50	2,506,397.72	393,308.50
Non-current indebtedness				
Long-term borrowing	–	–	–	–
Long-term payables	665,000,000.00	104,353,011.33	665,000,000.00	104,353,011.33
Bonds to be issued ⁽²⁾	–	–	750,000,000.00	117,691,366.16
Total indebtedness⁽³⁾	2,081,839,731.06	326,686,082.77	2,831,839,731.06	444,377,448.93
Equity				
Capital reserve	251,205,500.00	39,419,624.64	251,205,500.00	39,419,624.64
Paid-in capital	683,028,590.02	107,182,090.52	683,028,590.02	107,182,090.52
Surplus reserve	230,436,048.15	36,160,444.43	230,436,048.15	36,160,444.43
Undistributed profits	2,026,924,434.05	318,068,674.33	2,026,924,434.05	318,068,674.33
Total equity	3,191,594,572.22	500,830,833.92	3,191,594,572.22	500,830,833.92
Total capitalization⁽⁴⁾	5,273,434,303.28	827,516,916.69	6,023,434,303.28	945,208,282.85

Notes:

- (1) The translation of Renminbi amounts into U.S. dollars amounts and *vice versa* has been made at the rate RMB6.3726 to U.S.\$1.00, based on the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Bank of New York on 30 December 2021.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the underwriting fees and commissions and other estimated expenses payable in connection with the offering of the Bonds.
- (3) Total indebtedness equals the sum of current and non-current indebtedness.
- (4) Total capitalization represents the sum of total indebtedness and total equity.

Other than as disclosed above, there has been no material change in the Company's consolidated capitalization or indebtedness since 31 December 2021.

DESCRIPTION OF THE LC BANK

The information below included in the Offering Circular is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. Any information available from public sources that are referenced in the Offering Circular but is not separately included in the Offering Circular shall not be deemed to be incorporated by reference to the Offering Circular. Each of the Issuer and the Company has taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents and advisers or any person who controls any of them as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Bonds will have the benefit of the Standby Letter of Credit which will be issued by Bank of Shanghai Co., Ltd., Nanjing Branch as the LC Bank. Under the PRC law, the LC Bank is not a separate and independent legal person but has capacity to carry on its activities within its scope of authorisation given by Bank of Shanghai, and if the assets of the LC Bank are not sufficient to meet the obligations of the LC Bank under the Standby Letter of Credit, Bank of Shanghai would have an obligation to satisfy the balance of the obligations under the Standby Letter of Credit.

OVERVIEW

Bank of Shanghai (formerly known as Shanghai City United Bank Ltd.) was incorporated in Shanghai, PRC, on 30 January 1996 as a joint-stock commercial bank. With the approval from PBOC, it changed its name from Shanghai City United Bank Ltd. to Bank of Shanghai Co., Ltd. on 16 July 1998. Bank of Shanghai obtained a financial business certificate No. B0139H231000001 with the approval from the CBRC and obtained a business license with unified social credit code 91310000132257510M issued by the Shanghai Municipal Administration of Industry and Commerce. As at 31 December 2020, it had a total of 324 branches including Shanghai, Beijing, Shenzhen, Tianjin, Chengdu, Ningbo, Nanjing, Hangzhou, Suzhou, Wuxi City, Shaoxing, Nantong, Changzhou, Yancheng, and Wenzhou. Bank of Shanghai has business operations across the Yangtze River Delta, the Beijing-Tianjin-Hebei region, the Guangdong-Hong Kong-Macao Greater Bay Area, and Central and West China.

As of the end of 2021, its total asset stood at RMB2.65 trillion, an increase of 7.76% compared to the end of 2020, and it recorded a net profit of RMB20.04 billion, a year-on-year increase of 5.54%. It ranked 67th among 1,000 banks around the world in 2021 by the British magazine *The Banker* in terms of Tier 1 capital.

BUSINESS ACTIVITIES

With the strategic vision of providing boutique banking service and the core values of utmost sincerity and good faith, Bank of Shanghai has specialized its operations and customized its management, to deliver a higher level of services including supply chain, science-technology, welfare-based, investment banking, transactions, and cross-border banking as well as consumer, pension-based, and online finance. Over the past few years, Bank of Shanghai has taken advantage of financial and high-tech trends to deliver more intelligent and professional services to meet the demands of corporate and individual clients for increasingly diverse financial services.

In aligning its development with China's national strategy and Shanghai's "three major tasks and one major platform", Bank of Shanghai has been capitalizing on synergy to deliver better regional services, provide better financial services to the real economy by offering more small- and micro-credit, and

develop an online model of inclusive finance. Bank of Shanghai also puts retail banking as the top priority and has put in place a retail business system for customer operations, foundational support, and the creation of a business ecosystem, promoting deeper technology integration with businesses with end-to-end thinking and disruptive innovation, all the while prudentially operating and regulating management in a bid to increase risk operation and management capabilities.

Bank of Shanghai has obtained many honours and awards throughout the years, among which, it was ranked 83rd in the world by Brand Finance, the independent brand assessment agency in association with the British “The Banker” magazine, in the “2020 Global Bank Brand Value Top 500” list. In 2021, It was ranked 67th in terms of Tier 1 capital by the British “The Banker” in the “Top 1000 Global Banks” ranking. Bank of Shanghai won the “Best Pension Financial Service in China” award in the “2020 China Awards Program”, the “Best Progressive Retail Bank in Asia Pacific, Middle East and Africa” award and “Best Progressive Retail Bank in China” award in “2020 International Retail Financial Service Excellence Award”, “China Best Private Wealth Charity Service Award” in the “Asian Banker of the Year 2020 - Global Wealth and Society Awards Program”, each organized by “The Asian Banker” magazine, respectively. It was selected in 2019 as the “Outstanding Performance Award” of Credit Fund for Small and Micro Enterprises in Pudong New District of Shanghai, “2019 Shanghai Banking Institutional Contribution Award”, “2019 Innovative Inclusive Financial Services in Shanghai”, “2019 Outstanding Contribution Award for Inclusive Financial Services in Shanghai”, “2019 Best Syndicated Loan Business in Shanghai”, “2019 Best Project Prize and Leading Bank of Syndicated Loan Business in Shanghai”, 24th among Top 100 Enterprises in Shanghai, 13th among Top 100 Enterprises in Service Industry in Shanghai, Top 10 Leading Underwriter of Debt Financing Plans, Best Private Wealth Philanthropic Services Award in China, Best Private Bank in China (City Commercial Bank Group), Great Listed Company of China, Bank with Outstanding Brand Force of China and Top 100 Innovative Financial Institutions, Trustworthy Bank of 2019 and City Commercial Bank of the Year in 2019.

FINANCIAL INFORMATION

Copies of Bank of Shanghai’s published audited consolidated financial statements and unaudited but reviewed consolidated financial statements, as well as its public filings, can be downloaded free of charge from the websites of Bank of Shanghai and the Shanghai Stock Exchange at <https://www.bosc.cn/en/AnnualReport/> and <http://www.sse.com.cn>, respectively. The financial statements of Bank of Shanghai are not included in and do not form part of the Offering Circular. The information contained on the websites of Bank of Shanghai and the Shanghai Stock Exchange is subject to change from time to time. No representation is made by the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them and none of the Company, the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them takes any responsibility for any information contained on websites of the Bank of Shanghai and the Shanghai Stock Exchange.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer was incorporated in Hong Kong on 30 May 2022 with limited liability. The Issuer is directly and wholly owned by the Company. The registered office of the Issuer is located at Unit 7, 17/F., The Galaxy, No. 313 Castle Peak Road, Kwai Chung, New Territories, Hong Kong.

DIRECTOR

As at the date of this Offering Circular, the directors of the Issuer are:

Name	Position
Ding Jie (丁潔)	Director
Hua Jingwen (華靖雯)	Director

FINANCIAL STATEMENTS

The Issuer has not published interim nor annual financial statements. The Issuer has not published but proposes to publish financial statements. The Issuer is also required to keep proper books of accounts as are necessary to give a true and fair view regarding the state of the Issuer's affairs and to explain its transactions.

SHARE CAPITAL

As at the date of this Offering Circular, the Issuer issued a total number of 100,000 ordinary shares, all of which have been or are to be regarded as paid up. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

DESCRIPTION OF THE GROUP

OVERVIEW

The Company is a state-owned enterprise located in Wuxi City, Jiangsu Province, PRC. The Group focuses on the sale and distribution of electricity and steam in Wuxi City, Jiangsu Province. Since its establishment in April 2000, the Company has significantly contributed to the urbanization and infrastructure of Wuxi City, and it is currently the main operation entity of electricity infrastructure in Wuxi City. The Group is entrusted by the relevant local authorities to generate and supply electricity and steam in Wuxi City. It also developed and diversified its businesses over years of strategic operation. The Group primarily engages in two principal business segments: (i) sale and distribution of electricity and (ii) sale and distribution of steam, and certain other supplemental business segments, including (i) supply of hot water; (ii) sale and distribution of by-products; and (iii) sale and distribution of dried coal ash.

As at 31 December 2021, the registered and paid-up capital of the Company was RMB683.03 million. The Company is indirectly controlled by the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室), being the governmental entity responsible for providing financial support to state-owned entities, and managing the value and operation of state-owned assets, in the Xishan Economic and Technological Development Zone.

As at 31 December 2019, 2020 and 2021, the Group's total assets amounted to RMB5,259.19 million, RMB7,044.18 million and RMB7,718.33 million, respectively. For the years ended 31 December 2019, 2020 and 2021, the Group recorded operating revenue of RMB494.27 million, RMB479.46 million and RMB577.74 million, respectively. For the same periods, the Group had net profit of RMB283.28 million, RMB282.95 million and RMB268.94 million, respectively.

COMPETITIVE STRENGTHS

Well positioned to benefit from the geographical and strategic location and importance and economic growth of Wuxi City, Jiangsu Province and in particular the Xishan Economic and Technological Development Zone.

The Group is well positioned to benefit from the economic strength and the growing competitiveness of Xishan District, particularly the Xishan Economic and Technological Development Zone, as an important region in Wuxi City, Jiangsu Province with geographical and strategic advantages, where the Group undertakes important infrastructure projects and conduct its businesses of the sale and distribution of electricity and steam.

The Company is established in Xishan District, Wuxi City, Jiangsu Province. Wuxi City, also known as the "Pearl of Taihu", is a prefecture-level city and is one of the sub-central cities of the Yangtze River Delta economic circle. Located in the middle of the Yangtze River Delta and the center of the Great Triangle in Huning and Hangzhou, Wuxi City is the main transportation hub in eastern China. Situated east of Wuxi City, the Xishan Economic and Technological Development Zone is a center of such manufacturing industries as electronic information, auto parts and components, and equipment manufacturing. Xishan District's prominent geographical advantages, as well as its infrastructure network of transportation and power and water supplies, allow for a favourable external condition and a solid support for the Group's business development.

Strong and continuous support from the People's Government of Xishan District, Wuxi City, Jiangsu Province.

The Company is indirectly controlled by the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室). Since its

establishment in April 2000, the Company has played an important role in implementing the economic and social development of Xishan District, Wuxi City, Jiangsu Province, especially the Xishan Economic and Technological Development Zone, and expedited its industrial development. The strong support from the People's Government of Xishan District, Wuxi City has been key for the Group to successfully carry out its sale and distribution of electricity and steam. The Group has leveraged on different forms of governmental supports to grow its businesses and financial strength.

The governmental supports received by the Company primarily include:

- Capital injections and asset allocations. The Company was incorporated in April 2000 with an initial registered capital of RMB183.03 million, and is directly controlled by the Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司), which is in turn directly and fully state-owned by the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室). As at 31 December 2021, the Company's registered capital was RMB683.03 million, out of which RMB500 million has been paid up in June 2015 by Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司). The Company remained a state-owned company indirectly controlled by the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室);
- Preferential tax treatment: According to the Notice on Issues concerning the Treatment of Enterprise Income Taxes on Special Purpose Fiscal Funds (Caishui [2011] No. 70) (《關於專項用途財政性資金企業所得稅處理問題的通知》(財稅[2011]70號)) issued by MOF and SAT, the financial appropriations received by the Company from local governments of level higher than county government can be exempt from Enterprise Income Tax.
- Governmental grants and subsidies: The Company received a wide variety of governmental grants and subsidies from the People's Government of Xishan District, Wuxi City. For the years ended 31 December 2019, 2020 and 2021, government subsidies and grants received by the Company amounted to RMB190.31 million, RMB198 million and RMB235 million, respectively.

Sound and effective risk management and internal control systems.

The Group has implemented a comprehensive operational and legal risk management and internal control systems in respect of its businesses, and adopted a financial management system to regulate the Group's cost and expense control and capital management, with the aim to promote efficient use and management of financial resources within the Group. The Group has also set up a safe production system, which regulates the safe operation of its power plants, specifies the necessary safety measures to cultivate a safe working environment, and minimizes accidents. The Group regularly conducts safety and risk inspections to monitor the implementation of its internal control and risk management policies.

Experienced management team with support from a team of dedicated staff.

The Group has an experienced management team with extensive knowledge in the industries in which the Company operates. This enables the Group to effectively identify and cultivate relationships with leading suppliers and customers in its target industries. The Group believes that its management team's industry knowledge and technical expertise enable the Group to make prudent business decisions so as to strengthen its operations in the relevant sectors in Wuxi City, Jiangsu Province. The Group's experienced management team is also supported by a dedicated team of staff with extensive technical and industry knowledge. The Group believes in the benefits of improving the skills and knowledge of the Group's management team and employees, and regularly conducts both in-house and external management and professional training programs. It has attracted, trained and retained a substantial number of highly-educated and experienced managers and technical professionals with an abundance of experience.

BUSINESS STRATEGIES

Actively focus on the sale and distribution of electricity and steam in Wuxi City, Jiangsu Province and in particular the Xishan Economic and Technological Development Zone.

The Group will continue to develop its core business in the sale and distribution of electricity and steam and consolidate its position in Wuxi City, in particular, the Xishan Economic and Technological Development Zone, by leveraging on its competitive strengths and seizing the business opportunities brought by the national and regional development strategies for and economic growth at Wuxi City. Over years of engaging in the sale and distribution of electricity and steam, the Group built a strong presence in Wuxi City, especially the Xishan Economic and Technological Development Zone. Going forward, the Group will continue to focus on the sale and distribution of electricity and steam and to operate, strengthen and expand its existing businesses as well as diversifying its customer base. The Group also intends to continue exploring ways to improve energy conversion efficiency and reduce the net coal consumption rates of thermal power units. By leveraging on its extensive industry and execution experience, the Group believes that it will continue to play a key role in implementing the policies of the People's Government of Xishan District, Wuxi City.

Achieve appropriate diversification by exploring and expanding into the businesses of investment in industrial park projects and construction.

While the Group will continue to focus on its major businesses, it will also continue to actively act on opportunities to grow other businesses to achieve appropriate diversification. The Group is exploring the potential of investing in industrial park projects and construction. The Group seeks to diversify its sources of earnings and achieve synergies among its businesses. It will continue to invest in areas that are in line with the Group's business strategies to strengthen its profitability. The Group believes that its diversified sources of income will bring attractive returns to the Group and contribute to a steady growth of the Group's operating income.

Continue to develop diversified financing channels to maintain well-capitalised growth while enhancing the financial management system.

The Group plans to take proactive measures to secure low-cost and stable funding and maintain a balanced and healthy capital structure. The Group also intends to adopt diversified financing methods to support its business need by exploring and employing new financing channels, and developing closer cooperation with financial institutions, to secure funding on more favourable terms and better support the financing needs of the Group's business operation. It is also the plan of the Group to adopt diversified financing methods. The Group expects to further leverage on its strong financing capability to facilitate organic growth. Meanwhile, the Group will continue to monitor the implementation of its financial management system and regularly review its policies to enhance its prudent financial management system with well-defined policies and procedures.

Strengthen risk management and internal control systems and corporate governance.

The Group believes that prudent risk management and internal control systems can reduce operational and financial risks and help achieve long-term sustainable growth. As such, the Group will continue to enhance its risk management and internal control systems that comply with legal and regulatory requirements. For financial risks, the Group will also maintain prudent investment policies that aim at striking a healthy balance between assets and liabilities, between investment returns and risk taking, and between its existing businesses and any potential opportunities. The Group strives to prudently manage its risk profile while fulfilling investment and development needs to drive its profitability.

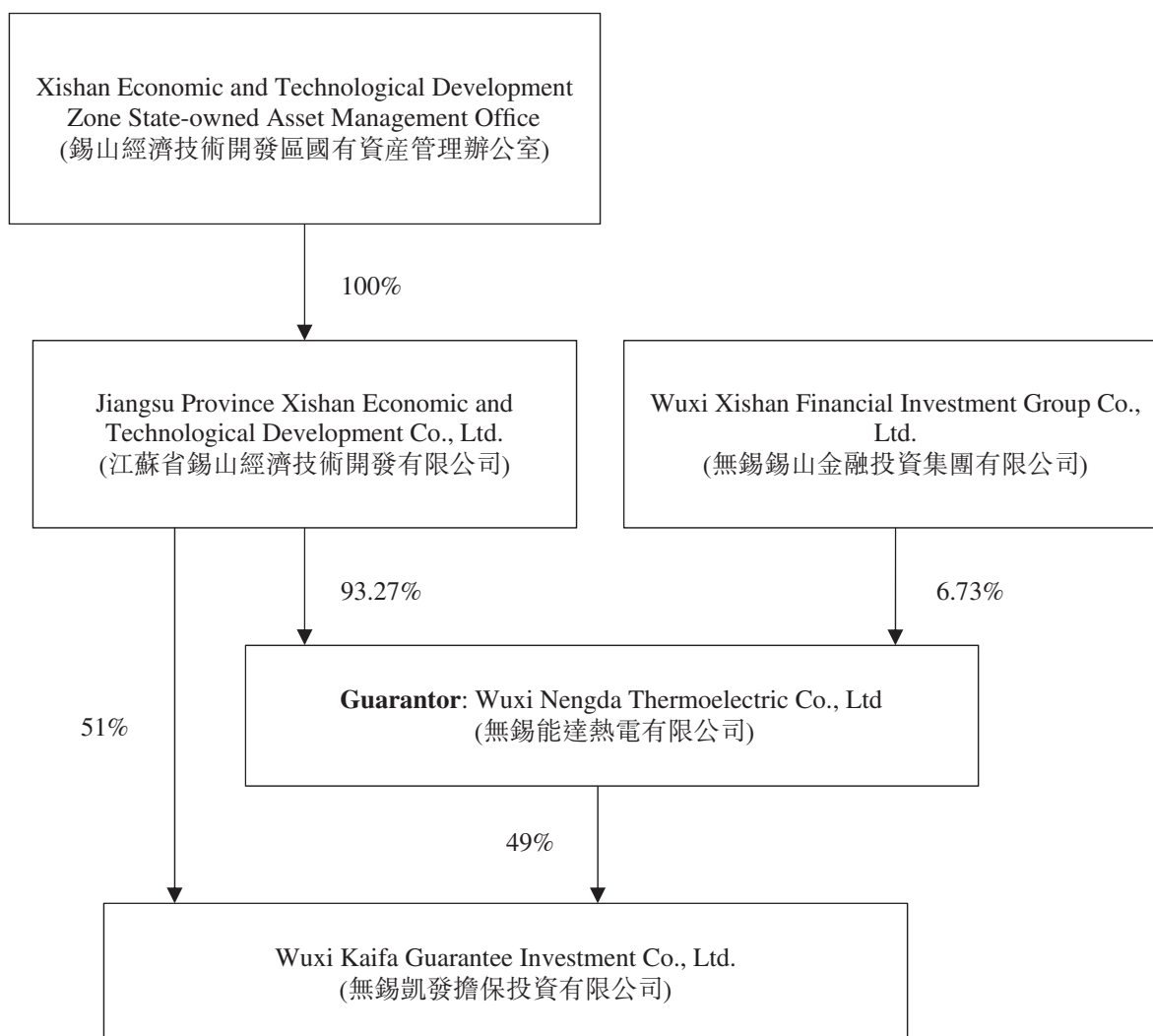
At the same time, the Group will continue to enhance its corporate governance structure. The Group has functional departments with specific areas of responsibilities which facilitate its smooth operation, and the Group has adopted a standardised corporate governance structure in accordance with relevant laws and regulations. The Group has established the board of directors, the supervisory committee and the senior management team, and has developed comprehensive corporate governance-related documents stipulating the authority, obligations and operational protocols of each level of corporate governance structure. The Group will continue to optimise systems and processes to enhance the effectiveness and quality of its corporate governance.

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

The Group believes that high-quality employees who value its corporate culture are the essential elements for its sustainable growth. The Group intends to attract and retain skilled and talented employees from reputable PRC and overseas universities and markets of relevant industries through various initiatives, including its comprehensive training programs, competitive compensation and incentive packages. The Group will also arrange internal seminars and external training opportunities to target the employees' competence. In addition, the Group will continue to foster an entrepreneurial working environment and elite culture, to promote innovation and collaboration to the extent of driving and achieving efficiency, greater loyalty, job satisfaction, engagement and commitment to work and ultimately resulting in improved return on the Group's overall operation. With a strong reputation for excellence and a dedicated workforce, the Group believes that it is well positioned to expand its business coverage and maximise the value of its investors.

CORPORATE STRUCTURE

The following chart sets forth the corporate structure of the Group as at 31 December 2021:



As at 31 December 2021, the Company did not control any subsidiary. The Group carries out its business activities primarily through the Company. The following is an overview of the two subsidiaries that are, respectively, directly owned and controlled by the Company and an associated company of the Company as at the date of the Offering Circular:

- The Issuer was incorporated in Hong Kong on 30 May 2022 with limited liability. As at the date of this Offering Circular, the Issuer is directly and wholly owned by the Company. Please see “*Description of the Issuer*” for further details.
- Wuxi Jinkai Asset Management Co., Ltd. (無錫金開資產經營管理有限公司) was incorporated in the PRC on 3 December 2018 with a registered capital of RMB825 million. Since mid-2022 it became controlled and owned as to 60% by the Company. It principally engages in enterprise asset acquisition, restructure and sale, investment, asset management, leasing of owned properties, infrastructure construction and management, land formation, construction, manufacturing of specialised facility for semi-conductor and integrated circuit.

- Wuxi Kaifa Guarantee Investment Co., Ltd. (無錫凱發擔保投資有限公司) was incorporated in the PRC on April 26, 2001 with a registered capital of RMB20 million. It is owned as to 51% by the one of the Company's shareholders, Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) and 49% by the Company. It principally engages in the provision of non-financial guarantee services and external investment and management.

HISTORY AND DEVELOPMENT

The Company is a state-owned enterprise located in Wuxi City, Jiangsu Province, PRC. It was incorporated on 14 April 2000 with an initial registered capital of RMB183.03 million. The Group focuses on the sale and distribution of electricity and steam. As at 31 December 2021, the Company's registered capital was RMB683.03 million and remained indirectly controlled by the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室). The table below sets forth certain key corporate historical events and important milestones in the course of development of the Company:

Year	Milestone Events
1997	The Company's predecessor was converted from a foreign invested enterprise to a domestic enterprise following the transfer of 10%, 37.5% and 37.5% of the equity interests in the Company's predecessor by Jiangsu Yinka Group Ltd. (江蘇銀卡集團公司), SAB (East Asia) Holdings Limited (南方東亞控股有限公司) and Yibao Engineering (International) Co., Limited (怡寶工程(國際)有限公司), respectively, to Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) (formerly known as Jiangsu Province Xishan Economic Development Zone Development Company (江蘇省錫山經濟開發區開發總公司)).
2000	The Company was incorporated on 14 April 2000 with an initial registered capital of RMB183.03 million, in which RMB162.03 million, 88.53% of the initial registered capital, was subscribed by Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) and RMB21 million, 11.47% of the initial registered capital, was subscribed by Xishan Energy Investment Development Co. Ltd. (錫山市能源投資發展有限公司).
2002	In April 2002, Xishan Energy Investment Development Co. Ltd. (錫山市能源投資發展有限公司) transferred the registered capital of RMB21 million, representing all of its equity interest in the Company, to Wuxi City Xishan District Electric Power Company (無錫錫山電力實業公司) and Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) transferred the registered capital of RMB25 million held by it in the Company to Wuxi City Xishan District Electric Power Company (無錫錫山電力實業公司). After the transfers, Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) and Wuxi City Xishan District Electric Power Company (無錫錫山電力實業公司) respectively held 74.87% and 25.13% of the equity interests in the Company.
2006	In September 2006, Wuxi City Xishan District Electric Power Company (無錫錫山電力實業公司) transferred the registered capital of RMB46 million, representing all of its equity interest in the Company, to Wuxi Xishan Financial Investment Group Co., Ltd. (無錫錫山金融投資集團有限公司) (formally known as Wuxi Xishan Investment Development Co., Ltd. (無錫錫山投資發展有限公司)). After the transfer, Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) and Wuxi Xishan Financial Investment Group Co., Ltd. (無錫錫山金融投資集團有限公司) respectively held 74.87% and 25.13% of the equity interests in the Company.
2015	In June 2015, the registered capital of the Company increased to RMB683.03 million with additional capital of RMB500 million subscribed by Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司). After the increase of registered capital, Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) and Wuxi Xishan Financial Investment Group Co., Ltd. (無錫錫山金融投資集團有限公司) respectively held 93.27% and 6.73% of the equity interests in the Company.

Year	Milestone Events
2022	<p>On 30 May 2022, the Issuer was incorporated in Hong Kong with limited liability. As at the date of this Offering Circular, the Issuer is directly and wholly owned by the Company.</p> <p>On 15 June 2022, the Company acquired the registered capital of RMB495 million in Wuxi Jinkai Asset Management Co., Ltd. (無錫金開資產經營管理有限公司), which then became owned as to 60% by the Company.</p>

Relationship with the People’s Government of Xishan District, Wuxi City, the beneficial equity holder of the Company

The Company is a state-owned enterprise with the Xishan Economic and Technological Development Zone State-owned Asset Management Office (錫山經濟技術開發區國有資產管理辦公室) being the ultimate controlling shareholder of the Company. As the state-controlled local asset management company and also the designated platform for capital operation in Xishan District, Wuxi City, Jiangsu Province, the Group has extensive relationships with the People’s Government of Xishan District, Wuxi City and other agencies and entities controlled by it.

Notwithstanding the connections with, and the support from, the People’s Government of Xishan District, Wuxi City and its agencies and related entities and various social and community functions performed by the Group, the Group is operationally and financially independent from People’s Government of Xishan District, Wuxi City, except that the procurement of certain equipment and construction projects reaching a certain size would require the permission of the government authorities. Its functions and departments are largely separate from those of the government and do not share any premises with the People’s Government of Xishan District, Wuxi City. The board of directors and the senior management of the Company are not government officers. The Group has its own budget and financial reporting system and its assets and liabilities separate from those of the People’s Government of Xishan District, Wuxi City. Neither the People’s Government of Xishan District, Wuxi City, nor any other PRC governmental entity, has any payment or other obligations under the Bonds or the Trust Deed, and they will not provide guarantee of any kind for the Bonds. The Bondholders do not have any recourse against the People’s Government of Xishan District, Wuxi City or any other PRC governmental agency or entity in respect of any obligation arising out of or in connection with the Bonds or the Trust Deed. The Bonds are solely to be repaid by the Issuer and the obligations of the Issuer under the Bonds shall solely be fulfilled by the Issuer as an independent legal person. This position has been reinforced by Circular 23 and Circular 706. However, neither of these circulars prohibits the PRC government from providing support (in various forms including capital injection and subsidies, but excluding injecting any kinds of public assets and land reserves as the Group’s assets) to the Group in its ordinary course of business in compliance with PRC laws and regulations. The detailed description of the relationships between the Group and the People’s Government of Xishan District, Wuxi City in this Offering Circular does not imply in any way any explicit or implicit credit support of the People’s Government of Xishan District, Wuxi City in respect of the Bonds, the repayment of which remains the sole responsibility of the Issuer.

THE GROUP’S BUSINESS SEGMENTS

The Company is a state-owned enterprise located in Wuxi City, Jiangsu Province, PRC. The Group focuses on the sale and distribution of electricity and steam in Wuxi City, Jiangsu Province. Since its establishment in April 2000, the Company has significantly contributed to the urbanization and infrastructure of Wuxi City, and it is currently the main operation entity of electricity infrastructure in Wuxi City. The Group is entrusted by the relevant local authorities to generate and supply electricity and steam in Wuxi City. It also developed and diversified its businesses over years of strategic operation. The Group primarily engages in two principal business segments: (i) sale and distribution of electricity and (ii) sale and distribution of steam, and certain other supplemental business segments, including (i) supply of hot water; (ii) sale and distribution of by-products; and (iii) sale and distribution of dried coal ash.

The following table sets out a breakdown of the Group's total operating revenue for the years ended 31 December 2019, 2020 and 2021 categorised by (i) sale and distribution of electricity; (ii) sale and distribution of steam; (iii) the supply of hot water; (iv) sale and distribution of by-products; (v) sale and distribution of dried coal ash; and (vi) others:

	Year ended 31 December					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB)		(RMB)	(RMB)		
Major Businesses						
Sale and distribution of electricity	62,799,759.10	12.722	61,326,570.42	12.79	65,125,438.11	11.27
Sale and distribution of steam	418,526,690.65	84.68	396,827,296.60	82.77	501,407,433.36	86.79
Sub-total	481,326,449.75	97.38	458,153,867.02	95.56	566,532,871.47	98.06
Other Businesses						
Supply of hot water	316,191.18	0.06	262,228.38	0.05	108,682.72	0.02
Sale and distribution of by-products	1,066,411.78	0.22	1,508,849.60	0.31	716,814.19	0.12
Sale and distribution of dried coal ash	10,407,992.44	2.11	13,483,751.49	2.81	9,301,415.00	1.61
Others	1,148,888.77	0.23	6,052,171.20	1.2	1,077,831.19	0.19
Sub-total	12,939,484.17	2.62	21,307,000.67	4.44	11,210,743.10	1.94
Total	494,265,933.92	100.00	479,460,867.69	100.00	577,743,614.57	100.00

The following table sets out a breakdown of the Group's gross profit for the years ended 31 December 2019, 2020 and 2021 categorised by (i) sale and distribution of electricity; (ii) sale and distribution of steam; (iii) the supply of hot water; (iv) sale and distribution of by-products; (v) sale and distribution of dried coal ash; and (vi) others:

	Year ended 31 December					
	2019		2020		2021	
	Amount	%	Amount	%	Amount	%
	(RMB)		(RMB)	(RMB)		
Major Businesses						
Sale and distribution of electricity	4,943,943.50	3.99	(449,231.31)	(0.36)	(9,466,183.92)	(17.95)
Sale and distribution of steam	108,841,264.46	87.85	106,274,168.99	85.26	53,219,973.22	100.93
Sub-total	113,785,207.96	91.84	105,824,937.68	84.90	43,753,789.30	82.98
Other Businesses						
Supply of hot water	(1,530,814.10)	(1.24)	(1,420,844.84)	(1.14)	(1,450,375.09)	(2.75)
Sale and distribution of by-products	1,066,411.78	0.86	1,508,849.60	1.21	716,814.19	1.36
Sale and distribution of dried coal ash	10,407,992.44	8.40	13,483,751.49	10.82	9,307,415.00	17.65
Others	160,199.89	0.13	5,250,568.23	4.21	402,592.02	0.76
Sub-total	10,103,790.01	8.16	18,822,324.48	15.10	8,976,446.12	17.02
Total	123,888,997.97	100.00	124,647,262.16	100.00	52,730,235.42	100.00

Major Businesses

Sale of Electricity

The Company generates electricity through self-operated power plants. Its operation adopts the “power determined by heat” model (以熱定電), adjusting its power generation capacity to accommodate the demand for heat energy. The electricity generation process starts with burning coal as one of the most common energy sources to produce steam that drives the Company's turbines to generate electricity, transforming mechanical energy into electrical energy by means of electromagnetic induction. The Company sells its electricity solely to Jiangsu Province Electric Power Co., Ltd. (江蘇省電力有限公司), and derived revenues of RMB62.80 million, RMB61.33 million and RMB65.13 million from its sale and distribution of electricity, for the years ended 31 December 2019, 2020 and 2021, respectively.

Coal is the main raw material used for the generation of electricity. The tables below set forth the Company's suppliers of coal for the years ended 31 December 2019, 2020 and 2021, respectively.

For the year ended 31 December 2019:

Number	Supplier name	Raw material supplied	Amount procured (RMB)
1	Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司)	Coal	89,611,057.65
2	China Coal Energy Shandong Co., Ltd. (中煤能源山東有限公司)	Coal	64,078,283.32
3	Tengzhou Wanrui Trading Co., Ltd. (滕州萬瑞商貿有限公司)	Coal	61,996,075.59
4	Shandong Zhongyin International Trading Co., Ltd. (山東中垠國際貿易有限公司)	Coal	25,009,944.09
5	Huaikuang Electric Power Fuel Co., Ltd. (淮礦電力燃料有限責任公司)	Coal	20,596,152.64

For the year ended 31 December 2020:

Number	Supplier name	Raw material supplied	Amount procured (RMB)
1	Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司)	Coal	120,302,047.93
2	Shandong Zhongyin International Trading Co., Ltd. (山東中垠國際貿易有限公司)	Coal	56,409,046.88
3	China Coal Energy Shandong Co., Ltd. (中煤能源山東有限公司)	Coal	27,095,229.10
4	Huaikuang Electric Power Fuel Co., Ltd. (淮礦電力燃料有限責任公司)	Coal	6,587,391.72

For the year ended 31 December 2021:

Number	Supplier name	Raw material supplied	Amount procured (RMB)
1	Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司)	Coal	180,971,519.67
2	Huaikuang Electric Power Fuel Co., Ltd. (淮礦電力燃料有限責任公司)	Coal	144,033,822.83
3	China Coal Energy Shandong Co., Ltd. (中煤能源山東有限公司)	Coal	58,577,361.00

Sale of Steam

The Company converts water to pressurized steam by boiling water with the coal we source in thermal power plants. The Company sells self-generated steam generated in the electricity generation process as well as steam sourced from other suppliers to provide customers with steam for industrial use. It is the sole enterprise engaging in the provision and distribution of heat energy in the Xishan Economic and Technological Development Zone (錫山經濟技術開發區). Its customers are enterprises with business operations in the Xishan Economic and Technological Development Zone (錫山經濟技術開發區).

With respect to the Company's sale and distribution of steam, the tables below set forth the Company's five largest customers for the years ended 31 December 2019, 2020 and 2021, respectively.

For the year ended 31 December 2019:

Number	Customer name	Revenue derived (RMB)
1	Wuxi Akeli Technology Group Co., Ltd. (無錫阿科力科技股份有限公司)	27,717,903.64
2	Wuxi Chaoke Food Co., Ltd. (無錫超科食品有限公司)	23,837,667.27
3	Jianding (Wuxi) Electronic Co., Ltd. (健鼎(無錫)電子有限公司)	23,662,152.73
4	Wuxi Xingda Foam Plastic New Material Group Co, Ltd. (無錫興達泡塑新材料股份有限公司)	20,015,690.91
5	Jiangsu Aoli Advertisement Material Group Co., Ltd. (江蘇奧力廣告材料股份有限公司)	16,906,705.45

For the year ended 31 December 2020:

Number	Customer name	Revenue derived (RMB)
1	Wuxi Akeli Technology Group Co., Ltd. (無錫阿科力科技股份有限公司)	30,120,106.12
2	Wuxi Enjie New Material Technology Co., Ltd. (無錫恩捷新材料科技有限公司)	29,489,467.89
3	Wuxi Chaoke Food Co., Ltd. (無錫超科食品有限公司)	24,337,394.50
4	Jianding (Wuxi) Electronic Co., Ltd. (健鼎(無錫)電子有限公司)	22,208,647.71
5	Wuxi City Xingda Foam Plastic New Material Group Co, Ltd. (無錫興達泡塑新材料股份有限公司)	17,721,188.07

For the year ended 31 December 2021:

Number	Customer name	Revenue derived (RMB)
1	Wuxi Enjie New Material Technology Co., Ltd. (無錫恩捷新材料科技有限公司)	57,849,245.78
2	Wuxi Akeli Technology Group Co., Ltd. (無錫阿科力科技股份有限公司)	37,535,749.45
3	Jianding (Wuxi) Electronic Co., Ltd. (健鼎(無錫)電子有限公司)	28,424,587.61
4	Wuxi Chaoke Food Co., Ltd. (無錫超科食品有限公司)	28,288,748.62
5	Wuxi Xingda Foam Plastic New Material Group Co, Ltd. (無錫興達泡塑新材料股份有限公司)	22,240,610.46

Similar to the sale and distribution of electricity, coal is also the main raw material used for the generation of steam. Coal sourced by the Company is used for the generation of both electricity and steam. With respect to the Company's sale and distribution of steam, the tables below set forth the Company's five largest suppliers for the years ended 31 December 2019, 2020 and 2021, respectively.

For the year ended 31 December 2019:

Number	Supplier name	Product supplied	Amount procured (RMB)
1	Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司)	Coal	89,611,057.65
2	China Coal Energy Shandong Co., Ltd. (中煤能源山東有限公司)	Coal	64,078,283.32
3	Tengzhou Wanrui Trading Co., Ltd. (滕州萬瑞商貿有限公司)	Coal	61,996,075.59
4	Wuxi Lantain Gas Engine Thermoelectric Co., Ltd. (無錫藍天燃機熱電有限公司)	Steam	48,159,082.00
5	Shandong Zhongyin International Trading Co., Ltd. (山東中垠國際貿易有限公司)	Coal	25,009,944.09

For the year ended 31 December 2020:

Number	Supplier name	Product supplied	Amount procured (RMB)
1	Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司)	Coal	120,302,047.93
2	Shandong Zhongyin International Trading Co., Ltd. (山東中垠國際貿易有限公司)	Coal	56,409,046.88
3	Wuxi Lantian Gas Engine Thermoelectric Co., Ltd. (無錫藍天燃機熱電有限公司)	Steam	45,908,452.60
4	China Coal Energy Shandong Co., Ltd. (中煤能源山東有限公司)	Coal	27,095,229.10
5	Wuxi Dongwo Chemical Energy Co., Ltd. (無錫東沃化能有限公司)	Steam	6,779,780.50

For the year ended 31 December 2021:

Number	Supplier name	Product supplied	Amount procured (RMB)
1	Huainan Mining (Group) Co., Ltd. (淮南礦業(集團)有限責任公司)	Coal	180,971,519.67
2	Huaikuang Electric Power Fuel Co., Ltd. (淮礦電力燃料有限責任公司)	Coal	144,033,822.83
3	Wuxi Lantian Gas Engine Thermoelectric Co., Ltd. (無錫藍天燃機熱電有限公司)	Steam	62,025,568.80
4	China Coal Energy Shandong Co., Ltd. (中煤能源山東有限公司)	Coal	58,577,361.00
5	Wuxi Dongwo Chemical Energy Co., Ltd. (無錫東沃化能有限公司)	Steam	10,861,248.40

Other Businesses

The Company also generates a small portion of its revenue from businesses supplementary to the sale and distribution of electricity and steam. These supplemental businesses include the following:

- *Supply of hot water.* The Group supplied hot water to the Chunjiang Garden Community (春江花園小區), the Oriental Yaju Community (東方雅居小區) and the Sevilla Community (賽維拉小區) in Xishan District, Wuxi City, Jiangsu Province. The business of supply of hot water ceased in September 2021.
- *Sale and distribution of by-products.* Gypsum is a common by-product of coal-fired power plants, including the ones operated by the Group. It sells gypsums to the successful bidders selected annually. These bidders source gypsums for further industrial use in the Jiangsu Province and Shanghai as an environmentally-friendly material.
- *Sale and distribution of dried coal ash.* The Group undertakes a dehydration process of thermally drying the coal it sources to reduce the moisture content of such coal to improve utilization. It then sells its dried coal ash by tender to the selected bidders. It enters into annual contracts with the selected bidders and settles the payments on a monthly basis according to the units actually delivered. These bidders source dried coal ash for further industrial use in the Jiangsu Province and the Zhejiang Province as an environmentally-friendly material.
- *Others.* The Group started its infrastructure construction business in 2022. Wuxi Jinkai Asset Management Co., Ltd. (無錫金開資產經營管理有限公司), an associated company of the Company, is in charge of the construction of Xishan Core Valley Phase I (錫山芯谷一期) in the Xishan Economic and Technological Development Zone (錫山經濟技術開發區), a project which is expected to commence in 2022.

EMPLOYEES

The Group believes that its employees are critical to its success and is committed to investing in the development of its employees through continuing education and training, as well as the creation of

opportunities for career growth. The Group considers its relationship with its workforce to be good and the Group has not experienced a work stoppage due to employees or strike for the past three years. In accordance with regulations applicable to enterprises and the relevant requirements of various local governments in areas in which the Group operates, the Group makes contributions to the pension contribution plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance.

ENVIRONMENT

The operations of the Group are subject to various national and local PRC environmental laws and regulations, including those relating to air pollution, noise, hazardous materials and waste discharge. The Group requires all of its members to comply with applicable environmental regulations in the relevant jurisdictions in which it operates. As at the date of this Offering Circular, the Group believes that it is in compliance in all material respects with all applicable national or local environmental laws and regulations in the PRC, and has obtained or is in the process of obtaining all material permits, approvals and certifications required under the PRC law in relation to its facilities. The Group is not aware of any environmental proceedings or investigations to which it is or might become a party to that could have a material adverse effect on its business, financial condition and results of operations.

INSURANCE

The Group maintains insurance policies, including pension insurance, unemployment insurance and medical insurance, which the Group believes to be consistent with the industry practice in the PRC. The Group maintains insurance coverage in the types which it believes are commensurate with its risk of loss and industry practice. Consistent with what the Group believes to be customary practice in the PRC, it does not carry any business interruption insurance, key-man insurance or insurance covering potential environmental damage claims. Such insurance is not mandatory under the laws and regulations of the PRC, and such insurance is either unavailable in the PRC or requires substantial cost.

GOVERNMENTAL REGULATIONS AND LICENSES

The Group's operations are subject to a variety of laws and regulations promulgated by the PRC governments in which it operates. See the section headed "*PRC Regulations*". The Group believes that it is in compliance in all material respects with the applicable governmental regulations, rules and executive orders in each jurisdiction in which it operates. The Group is not aware of any governmental proceedings or investigations to which it might become a party and which may have a material adverse effect on its properties and operations. The Group maintains regular dialogue with local governments and regulatory authorities through its management teams or representatives, ensuring compliance with the requirements and conditions for obtaining and maintaining the aforementioned licenses, concessions, permits, or certificates.

LITIGATION

From time to time, the Group may be involved in legal proceedings or other disputes in the ordinary course of its business. As at the date of this Offering Circular, the Group is not aware of any material legal proceedings, investigations, claims, disputes, penalties or liabilities currently existing or pending against it that may have a material adverse impact on its business, financial condition or results of operations. None of the Issuer, the Company or any member of the Group is involved in any litigation or arbitration proceedings that are material in the context of the Bonds nor is the Issuer or the Company aware that any such proceedings are pending or threatened as at the date of this Offering Circular.

DIRECTORS, SUPERVISOR AND SENIOR MANAGEMENT OF THE COMPANY

As at the date of the Offering Circular, the directors, supervisor and senior members of the senior management of the Company are as follows:

Name	Age	Position
Lv Kewei (呂可為)	54	Chairman of the board of directors and general manager
Liu Wenting (劉文婷)	31	Director and vice general manager
Zhao Xiaoxing (趙小星)	43	Director and vice general manager
Hua Mingdong (華鳴咚)	50	Director and vice general manager
Guo Guoyan (過國艷)	44	Director and chief financial officer
Xu Jiangjun (徐建軍)	53	Supervisor

DIRECTORS

Mr. Lv Kewei (呂可為), aged 54, is currently the Chairman of the board of directors and general manager of the Company. Mr. Lv served in electrical operation at the thermoelectricity branch of Wuxi Electrochemistry Plant (無錫縣電化廠) from 1985 to 1988. He was then transferred to be responsible for the maintenance of protective relays in 1991 and served as an electrical technician at the power equipment department in 1992. Mr. Lv setting up was involved in the Company's predecessor in 1995. He served as its head of electrical branch, department head of the biotechnology department and assistant to the general manager. In 2002, he became a vice general manager of the Company and was promoted to the general manager of the Company in November 2012. Mr. Lv graduated from the Shanghai University of Electric Power (上海電力大學) (formally known as Shanghai Electrical Power School (上海電力學院)) in 1991.

Ms. Liu Wenting (劉文婷), aged 31, is currently a director and a vice general manager of the Company. Ms. Liu was an office member of the state-owned asset section of the Xishan Economic and Technological Development Zone Finance Bureau (錫山經濟技術開發區財政局) from 2013 to 2015. Since 2016, she has been an office member of the budgeting department of the Xishan Economic and Technological Development Zone Finance Bureau.

Mr. Zhao Xiaoxing (趙小星), aged 43, is currently a director and a vice general manager of the Company. Mr. Zhao served as a translation and project manager at Wuxi NOK-Freudenberg Oilseal Co., Ltd. (無錫恩福油封有限公司) from 2002 to 2005. From 2006 to 2007, he was a client manager of the business department at Wuxi Xishan Xintai Guarantee Investment Co., Ltd. (無錫市錫山信泰擔保投資有限公司), and a manager of the finance department from 2007 to 2019. Mr. Zhao served as the general manager of the integrated operation department at Wuxi Xishan Financial Investment Group Co., Ltd. (無錫錫山金融投資集團有限公司) from 2019 to 2022. Since April 2022, he has been the general manager of the auction business department at Wuxi Xishan Financial Investment Group Co., Ltd. (無錫錫山金融投資集團有限公司).

Ms. Hua Mingdong (華鳴咚), aged 50, is currently a director and a vice general manager of the Company. Ms. Hua worked at Dongting Industrial Textile Factory (東亭工業用布廠) from 1991 to 1993. She was the main accountant at Xishan Economic Development Zone Municipal Engineering Company (錫山經濟開發區市政工程公司), Xishan Economic Development Zone Coal Gas Company (錫山經濟開發區煤氣公司), Xishan Economic Development Zone Sewage Treatment Plant (錫山經濟開發區污水處理廠) from 1993 to 1998, from 1998 to 2002 and from 2002 to 2009, respectively. From 2004 to 2009, she also worked at the budgeting section of the Xishan Economic Development Zone Finance Bureau (錫山經濟開發區財政局). Ms. Hua served as the department head of the finance management department and the asset management department of Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) (formally known as Jiangsu Province Xishan Economic Development Zone Development Company (江蘇省錫山經濟開發區開發總公司)) in 2009 and from 2009 to 2011, respectively. Since 2011, she has been the department head of the finance management

department of Jiangsu Province Xishan Economic and Technological Development Co., Ltd. Ms. Hua graduated with a diploma in finance and accounting from Nanjing University of Finance and Economics (南京財經大學) (formally known as Nanjing Economics School (南京經濟學院)) in 2001 and obtained a bachelor's degree in accounting from Southwest University of Science and Technology in 2013.

Ms. Guo Guoyan (過國艷), aged 44, is currently a director and the chief financial officer of the Company. Ms. Guo served as a teller at Xishan Kanghui Credit Union (錫山市康輝信用社) from 1996 to 2001. She was an accountant at Xishan Municipal Engineering Company (錫山市政工程公司) from 2001 to 2004. Ms. Guo worked at Xishan Economic Development Zone Finance Bureau (錫山經濟開發區財政局) and was responsible for cash-handling and book-keeping from 2004 to 2009. She worked at the integrated department of the Xishan Economic and Technological Development Zone Service Outsourcing Industry Staff Management Bureau (錫山經濟技術開發區服務外包產業員管理局) from 2009 to 2017. Ms. Guo joined the Company as a finance head in 2017 and has become the finance manager since 2022.

SUPERVISOR

Mr. Xu Jiangjun (徐建軍), aged 53, is currently the sole supervisor of the Company. Mr. Xu worked at Wuxi Dongting Construction Company (無錫市東亭建築公司) and Wuxi Jinxi Real Estate Development Company (無錫市金錫房地產開發公司) from 1986 to 1993 and 1993 to 2003, respectively. He was promoted to be a vice manager of Wuxi Jinxi Real Estate Development Company from 2003 to 2007. Mr. Xu worked at Xishan Economic Development Zone Technological Venture Park (錫山經濟開發區科技創業園) from 2007 to 2008. He served as the vice general manager at Xishan Economic Development Zone Municipal Engineering Company (錫山經濟開發區市政工程公司) from 2008 to 2021. Mr. Xu was the department head of the integrated operation department of Jiangsu Province Xishan Economic and Technological Development Co., Ltd. (江蘇省錫山經濟技術開發有限公司) from 2012 to 2021. Mr. Xu has been a branch secretary of the party committee and the chairman of the labor union of Jiangsu Province Xishan Economic and Technological Development Co., Ltd. since 2013 and 2021, respectively. Mr. Xu graduated with a professional diploma in industrial and residential construction from Wuxi Urban Construction Occupation University (無錫市城建職工大學) in 2002 and obtained a bachelor's degree in civil engineering from China University of Geosciences (中國地質大學) in 2008.

SENIOR MANAGEMENT

Mr. Lv Kewei (呂可為) is the Chairman of the board of directors and general manager of the Company. Please refer to the subsection headed “— *Director*” above for details of her biography.

Ms. Liu Wenting (劉文婷) is a director and a vice general manager of the Company. Please refer to the subsection headed “— *Director*” above for details of her biography.

Mr. Zhao Xiaoxing (趙小星) is a director and a vice general manager of the Company. Please refer to the subsection headed “— *Director*” above for details of her biography.

Ms. Hua Mingdong (華鳴咚) is a director and a vice general manager of the Company. Please refer to the subsection headed “— *Director*” above for details of her biography.

Ms. Guo Guoyan (過國艷) is a director and the chief financial officer of the Company. Please refer to the subsection headed “— *Director*” above for details of her biography.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the provision by the LC Bank of the Standby Letter of Credit. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the LC Bank.

THE PRC LEGAL SYSTEM

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

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

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC and the Standing Committee of the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

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

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

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

THE PRC JUDICIAL SYSTEM

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

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are organised into civil, criminal, economic, administrative and other divisions. The

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

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

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012, 27 June 2017 and 24 December 2021 (and implemented on 1 January 2022), sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

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

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

REMITTANCE OF RENMINBI INTO AND OUTSIDE THE PRC

Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

Current Account Items

Under the PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers into and outside the PRC. Prior to July 2009, all current account items were required to be settled in foreign currencies. Pursuant to the Measures on the Trial Administration of Settling Cross-Border Transactions in Renminbi (《跨境貿易人民幣結算試點管理辦法》(中國人民銀行、財政部、商務部、海關總署、國家稅務總局、中國銀行業監督管理委員會公告[2009]第10號)) which was promulgated on 1 July 2009 and the Implementation of the Measures on the Trial Administration of Settling Cross-Border Transactions in Renminbi (《跨境貿易人民幣結算試點管理辦法實施細則》(銀發[2009]212號)) which was promulgated on 3 July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in certain pilot regions. On 17 June 2010, 27 July 2011 and 3 February 2012 respectively, the PRC government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (《關於擴大跨境貿易人民幣結算試點有關問題的通知》(銀發[2010]186號)), the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (《關於擴大跨境貿易人民幣結算地區的通知》(銀發[2011]203號)) and the Notice on Matters Relevant to the Administration of Enterprises Engaged in Renminbi Settlement of Export Trade in Goods (《關於出口貨物貿易人民幣結算企業管理有關問題的通知》(銀發[2012]23號)) (together as “**Circulars**”). Pursuant to these Circulars, (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover all provinces and cities in the PRC, (iii) the restriction on designated offshore districts has been lifted and (iv) any enterprise qualified for the export and import business is permitted to use Renminbi as settlement currency for exports of goods, provided that the relevant provincial government has submitted to PBOC and five other PRC authorities (the “**Six Authorities**”) a list of key enterprises subject to supervision and the Six Authorities have reviewed and approved such list (the “**Supervision List**”).

Accordingly, offshore enterprises are entitled to use Renminbi to settle imports of goods and services and other current account items. Renminbi remittance for exports of goods from the PRC may only be effected by (a) enterprises with the foreign trading right and incorporated in a province which has already submitted the Supervision List (for the avoidance of doubt, that PRC enterprises do not necessarily need to be included in the Supervision List), or (b) enterprises that have been approved as pilot enterprises for using Renminbi for exports before the Six Authorities reviewed and approved the Supervision List submitted by relevant province.

On 5 July 2013, PBOC promulgated the Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures (《關於簡化跨境人民幣業務流程和完善有關政策的通知》(銀發[2013]168號)) (the “**2013 PBOC Circular**”), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank’s verification of underlying transactions on a need basis (noting that verification of underlying transactions is usually a precondition for cross border remittance).

The Circulars and the 2013 PBOC Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circulars and the 2013 PBOC Circular and impose conditions for settlement of current account items.

Capital Account Items

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of, and/or registration or filing with, the relevant PRC authorities.

Until recently, settlement of capital account items, for example, the capital contribution of foreign investors to foreign invested enterprises in the PRC, were generally required to be made in foreign currencies. Cross-border Renminbi payment infrastructure and trading facilities are being improved.

PRC entities are also permitted to borrow Renminbi-denominated loans from foreign lenders (which are referred to as “**foreign debt**”) and lend Renminbi-denominated loans to foreign borrowers (which are referred to as “**outbound loans**”), as long as such PRC entities have the necessary quota, approval or registration. PRC entities may also denominate security or guarantee arrangements in Renminbi and make Renminbi payments thereunder to parties in the PRC as well as other jurisdictions (which is referred to as “**cross-border security**”). Under current rules promulgated by the State Administration of Foreign Exchange of the PRC (“**SAFE**”) and PBOC, foreign debts borrowed, outbound loans extended, and the cross-border security provided by a PRC onshore entity (including a financial institution) in Renminbi shall, in principle, be regulated under the current PRC foreign debt, outbound loan and cross-border security regimes applicable to foreign currencies. After piloting in the free trade zones, PBOC and SAFE launched a nation-wide system of macro-prudential management on cross-border financing in 2016 and 2017, which provides for a unified regime for financings denominated in both foreign currencies and Renminbi.

Since September 2014, qualified multinational enterprise groups can extend Renminbi-denominated loans to, or borrow Renminbi-denominated loans from, eligible offshore member entities within the same group by leveraging the cash pooling arrangements. The Renminbi funds will be placed in a special deposit account and may not be used to invest in stocks, financial derivatives, or non-self-use properties, or purchase wealth management products or extend loans to enterprises outside the group.

The securities markets, specifically the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) regime and the China Interbank Note Market (“**CIBM**”), have been further liberalised for foreign investors. PBOC has relaxed the quota control for RQFII, initiated a bond market mutual access scheme between mainland and Hong Kong to allow eligible investors to invest in CIBM, removed quota restriction, and granted more flexibility for the settlement agents to provide the relevant institutions with more trading facilities (for example, in relation to derivatives for hedging foreign exchange risk).

Recent reforms introduced were aimed at controlling the remittance of Renminbi for payment of transactions categorised as capital account items. There is no assurance that the PRC government will continue to gradually liberalise the control over Renminbi payments of capital account item transactions in the future. The relevant regulations are relatively new and will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

NDRC REGISTRATION

On 14 September 2015, the NDRC issued the NDRC Circular, which became effective on the same day. In order to encourage the use of low-cost capital in the international capital markets in promoting investment and steady growth and to facilitate cross border financing, the NDRC Circular abolishes the case-by-case quota review and approval system for the issuance of foreign debts by PRC enterprises and sets forth the following measures to promote the administrative reform of the issuance of foreign debts by PRC enterprises or overseas enterprises and branches controlled by PRC enterprises:

- steadily promote the administrative reform of the filing and registration system for the issuance of foreign debts by enterprises;
- increase the size of foreign debts issued by enterprises, and support the transformation and upgrading of key sectors and industries;
- simplify the filing and registration of the issuance of foreign debts by enterprises; and
- strengthen the supervision during and after the process to prevent risks.

For the purposes of the NDRC Circular, “foreign debts” means RMB-denominated or foreign currency-denominated debt instruments with a maturity of one year or above which are issued offshore by PRC enterprises and their controlled offshore enterprises or branches and for which the principal and interest are repaid as agreed, including offshore bonds and long-term and medium-term international commercial loans, etc. According to this definition, offshore bonds issued by both PRC enterprises and their controlled offshore enterprises or branches shall be regulated by the NDRC Circular.

Pursuant to the NDRC Circular, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and remittance details. The NDRC shall decide whether to accept an application within five working days upon receipt of the filing and registration application and shall issue a Certificate for Filing and Registration of the Issuance of Foreign Debts by Enterprises based on the overall size of foreign debts within seven working days upon accepting the application.

To issue offshore debts, an enterprise shall meet these basic conditions:

- have a good credit history with no default in its issued bonds or other debts;
- have sound corporate governance and risk prevention and control mechanisms for foreign debts; and
- have a good credit standing and relatively strong capability to repay its debts.

Pursuant to the NDRC Circular, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, the NDRC shall make a public announcement and shall no longer accept applications for filing and registration.

According to the NDRC Circular, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as “One Belt and One Road”, the coordinated development of Beijing, Tianjin, and Hebei Province, the Yangtze River Economic Belt, international cooperation on production capacity and the equipment manufacturing.

Certain detailed aspects of interpretation and application of the NDRC Circular remain subject to further clarification.

REGULATIONS ON FISCAL DEBTS OF LOCAL GOVERNMENTS

In accordance with the Guidance on Further Strengthening Adjustment of Credit Structure to Promote Fast and Smooth Development of National Economy (《中國人民銀行中國銀行業監督管理委員會關於進一步加強信貸結構調整促進國民經濟平穩較快發展的指導意見》(銀發[2009]92號)) issued jointly by the PBOC and the CBRC in March 2009, local governments are encouraged to establish financing platforms to issue financing instruments such as enterprise bonds and medium term notes. In order to strengthen the management of financing platforms and effectively prevent fiscal financial risks, the Notice on Strengthening Management of Financing Platform of Local Government (《國務院關於加強地方政府融資平台公司管理有關問題的通知》(國發[2010]19號)) (the “**Circular 19**”) and the Circular of the General Office of the NDRC on Relevant Issues Concerning Furthering Regulating the Issuance of Bonds of Local Government Investment and Financing Platform Enterprise (《國家發展改革委辦公廳關於進一步規範地方政府投融資平台公司發行債券行為有關問題的通知》(發改辦財金[2010] 2881號)) (the “**Circular 2881**”) were separately promulgated in June 2010 and November 2010. In accordance with Circular 19, all levels of local governments shall clear up the debts of their respective financing platforms. In accordance with Circular 2881, the level of indebtedness of local governments will have an impact on the ability of the financing platform to issue enterprise bonds. On 21 September 2014, the Opinion on Enhancing the Administration of Fiscal Debts of Local Governments (《國務院關於加強地方政府性債務管理的意見》(國發[2014]43號)) (the “**Circular 43**”) was promulgated by the State Council. Circular 43 aims at regulating the financing system of local government. In accordance with Circular 43, financing platforms shall no longer serve the fiscal financing functions nor incur new government debts. Public interest projects may be funded by the government through issuing government bonds, since the new Budget Law of the PRC, which took effect on 1 January 2015 and amended on 29 December 2018, empowers local governments to issue government bonds, and public interest projects with income generated, such as the sale and distribution of electricity and steam, may be operated independently by social investors or jointly by the government and social investors through the establishment of special purpose companies. Social investors or such special purpose companies shall invest in accordance with market-oriented principles and may be funded by, among other market-oriented approaches, bank loans, enterprise bonds, project revenue bonds and asset-backed securitisation. Social investors or the special purpose companies shall bear the obligation to pay off such debts and the government shall not be liable for any of the social investors’ or special purpose companies’ debts. Circular 43 also sets forth the general principles of dealing with existing debts of financing platforms. Based on the auditing results of such debts run by the local governments, the existing debts that should be repaid by the local governments shall be identified, reported to the State Council for approval, and then included in the budget plan of local governments.

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

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

- **Support stock financing needs for projects under construction.** Local governments at all levels and banking financial institutions shall ensure the orderly development of projects under construction. In respect of loans to the projects under construction of financing platform companies, if the loan contracts which are legally binding have been signed before 31 December 2014 and the loans have been granted but the contracts have not yet expired, banking financial institutions shall, under the premise of fully controlling risks and implementing credit conditions, continue to grant loans as agreed in the contracts, and shall not blindly call in loans in advance, delay or suspend the granting of loans.
- **Regulate incremental financing for projects under construction.** Local governments at all levels shall pay close attention to any incremental financing needs which are expected to be given fiscal support for the projects under construction of the financing platform companies, and shall, under the premise of compliance with laws and regulations and standard administration, make overall arrangements for various kinds of capital such as fiscal capital and social capital and ensure the continuation and completion of projects under construction. For the projects under construction of financing platform companies for which the loan amount in the contracts that have been signed fails to meet the construction needs, if it is suitable for them to adopt a government and social capital cooperation mode, they shall prioritise such mode to make up the needs. And if they are in compliance with the relevant state provisions without any other funding sources for construction, but temporarily the government and social capital cooperation mode is not suitable, the incremental financing needs shall be incorporated into government budget management and solved through issuing government bonds by local governments as required by laws and relevant regulations.
- **Administer in an effective and proper manner follow-up financing for projects under construction.** Banking financial institutions shall carefully check the destinations of the loans, and focus on supporting the projects under construction of financing platform companies, such as farmland water conservancy facilities, affordable housing projects and urban railway systems.
- **Improve supporting measures.** Under the premise of ensuring fiscal expenditure needs, in the regions where there are corresponding amounts of government bonds issuance and where the treasury balances exceed the treasury payment for one and a half months, the local financial departments are allowed to, within the limit of the amount of government bonds issuance, make more efforts to effectively use the stock of fiscal funds in the previous years and use the surplus amount of the treasury for capital flow before government bond issuance, so as to address the time difference between the financing for projects under construction and government bonds issuance.

Neither Circular 43 nor Circular 40 is applicable to the Bonds and no government authority has any obligation to repay any amount under the Bonds. In the event the Issuer does not fulfil its payment obligations under the Bonds, investors will only be able to claim against the Issuer and not any other government authority.

On 28 March 2018, the MOF promulgated the Circular 23, which came into effect on the same day. Under the Circular 23, when providing intermediary services for local government financing platform companies and other local state-owned enterprises regarding issuance of bonds at home and abroad, state-owned financial enterprises shall prudently evaluate the financial capability of fund-raisers and their source of funds for repayment. Where the source of revenue of bond-issuing enterprises involves fiscal funds, due diligence investigation shall be carried out, and the compliance and authenticity of fiscal funds shall be diligently verified. In bond prospectuses and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connecting with government credit

shall be prohibited. It shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

On 11 May 2018, the NDRC and the MOF jointly issued the Circular 706. Under the Circular 706, enterprises that take on foreign debts shall have materialized operations, conduct financing activities in compliance with laws after fully demonstrating the necessity of taking on such foreign debts. It is forbidden for enterprises to require or accept local governments and their subordinate departments to provide guarantees or assume debt repayment obligations for their market-oriented financing behaviours in a variety of ways. Further, the assets owned by such enterprises shall be of good quality, the ownership shall be clear. It is forbidden that public schools, public hospitals, public cultural facilities, parks, public squares, government office buildings, municipal roads, non-toll bridges, non-operating water conservancy facilities, non-toll pipeline network facilities, reserved land use rights and other assets relating to public interests be accounted into enterprises' assets. It is restated that in bond prospectuses and other documents, local financial revenues and expenditures, government debt data, or any other information implicitly or explicitly indicating support of government credit shall not be disclosed, and misleading publicity connected with government credit shall be prohibited, and it shall be specified in relevant transaction documents that the local government shall only assume limited liability to the extent of its amount of contribution and the relevant debts shall be repaid by local state-owned enterprises as independent legal persons.

MAJOR LAWS, REGULATIONS AND POLICIES RELATED TO THE GROUP'S BUSINESSES

Bidding and Tendering Management

Bidding and tendering of various construction projects have been provided in the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by SCNPC on 30 August 1999 which became effective on 1 January 2000 and amended on 27 December 2017, Regulation on the Implementation of the Bidding and Tendering Law of the People's Republic of China (中華人民共和國招標投標法實施條例) promulgated by the State Council on 20 December 2011 which became effective on 1 February 2012, and amended on 2 March 2019 which became effective on the same date, Measures for the Construction Bidding and Tendering of Construction Projects (工程建設項目施工招標投標辦法) jointly promulgated by NDRC, MOC, MOR, MOT, Ministry of Information Industry of the People's Republic of China, Ministry of Water Resources of the People's Republic of China, and Civil Aviation Administration of China in 8 March 2003 which became effective on 1 May 2003, amended on 11 March 2013 and became effective on 1 May 2013, Administrative Measures for the Bidding and Tendering of Design of Construction Projects (建設工程設計招標投標管理辦法) issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China on 24 January 2017 and became effective on 1 May 2017, Administrative Measures for the Bidding and Tendering of Housing Construction and Municipal Infrastructure Work (房屋建築和市政基礎設施工程施工招標投標管理辦法) issued by MOC on 1 June 2001 and became effective on the same date and amended on 28 September 2018 and 13 March 2019, and the Administrative Measures for the Bidding and Tendering of Highway Engineering Construction Projects (公路工程建設項目招標投標管理辦法) promulgated by MOT on 8 December 2015 which became effective on 1 February 2016.

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

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

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

Quality Management

Laws and regulations on project quality mainly include Construction Law of the People's Republic of China (中華人民共和國建築法) promulgated by SCNPC on 1 November 1997 which became effective on 1 March 1998, and amended on 23 April 2019 which became effective on the same date, Regulations on Quality Management of Construction Projects (建設工程質量管理條例) issued by the State Council on 30 January 2000 and which became effective on the same date and was amended on 7 October 2017 and 23 April 2019, Administrative Measures for Quality Management of Construction Project Survey (建設工程勘察質量管理辦法) amended by MOC on 22 November 2007 and became effective on the same date and amended on 1 April 2021, Measures for the Administration of Quality Warranty Funds of Construction Projects (建設工程質量保證金管理辦法) issued jointly by MOHURD and MOF on 20 June 2017 and became effective on 1 July 2017, Administrative Measures for Completion Acceptance Record of Building Construction and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) issued by MOHURD on 19 October 2009 and became effective on the same date, Measures for Quality Warranty of Building Construction Projects (房屋建築工程質量保修辦法) issued by MOC on 30 June 2000 and became effective on the same date, Provisions on the Administration of the Construction of Port Projects (港口工程建設管理規定) issued by MOT on 15 January 2018 which became effective on 1 March 2018 and amended on 28 November 2018 and 28 November 2019, and Measures for Completion (Delivery) Acceptance of Highway Works (公路工程竣(交)工驗收辦法) promulgated by MOT on 15 March 2004 and became effective on 1 October 2004, and its Implement which was promulgated on 27 January 2010 and became effective on 1 May 2010.

According to the Regulation on Quality Management of Construction Projects, all the building, surveying, designing, construction and supervision units shall be responsible for the quality of the construction projects. The competent administrative department of construction at or above county level is the competent authority for quality supervision and management of construction projects.

Environmental Protection Management

Major laws and regulations on environmental protection during the project construction process include the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法) amended by SCNPC on 24 April 2014 which became effective on 1 January 2015, Law on Environmental

Impact Assessment of the People's Republic of China (中華人民共和國環境影響評價法) promulgated by SCNPC on 28 October 2002 and last amended on 29 December 2018, Administrative Regulations on Environmental Protection of Construction Projects (建設項目環境保護管理條例) issued by the State Council on 29 November 1998, became effective on the same date and amended on 16 July 2017, and Interim Measures for Environmental Protection Acceptance of Construction Projects upon Completion (建設項目竣工環境保護驗收暫行辦法) promulgated by SEPA on 20 November 2017 which became effective on the same date.

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

Environmental Protection

The Environmental Protection Law (環境保護法), promulgated on 26 December 1989 by the Standing Committee of the National People's Congress, which became effective on 26 December 1989, as amended on 24 April 2014, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the State Council supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is responsible for the environmental protection work within their respective jurisdictions.

Air Pollution

The Air Pollution Prevention Law (大氣污染防治法), promulgated on 5 September 1987 by the Standing Committee of the National People's Congress and which became effective on the same date and was last amended on 26 October 2018 which became effective on the same date, establishes the legal framework for air pollution prevention in the PRC. The environmental protection department of the State Council formulates national air quality standards. Each of the local environmental protection bureaus is authorised to regulate air pollution within each of their respective jurisdictions by formulating more specific local standards, and may impose penalties for violation.

Water Pollution

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

Noise Pollution

The Noise Pollution Prevention Law (環境噪聲污染防治法), promulgated by the Standing Committee of the National People's Congress on 29 October 1996, which became effective on 1 March 1997, and last amended on 29 December 2018, which became effective on the same day, establishes the framework for noise pollution prevention in the PRC. Under the Noise Pollution Prevention Law, any person undertaking a construction, decoration or expansion project which might cause environmental noise pollution, shall prepare and submit an environmental impact report to the environmental protection

authority for approval. Facilities for prevention and control of environmental noise pollution shall be designed and approved by the environmental protection authority prior to the commencement of the project, and be built and put into use simultaneously with the project works. Facilities for prevention and control of environmental noise pollution may not be dismantled or suspended without the approval of the environmental protection authority at or above the county level.

Construction Projects

The Environmental Impact Appraisal Law (環境影響評價法), promulgated by the Standing Committee of the National People's Congress on 28 October 2002, last amended on 29 December 2018 which became effective on the same date, the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), promulgated by the State Council on 29 November 1998, which became effective on 29 November 1998 and was amended on 16 July 2017 which became effective on 1 October 2017, and the Interim Measures for the Administration of Environmental Protection Examination and Acceptance of Completed Construction Projects (建設項目竣工環境保護驗收暫行辦法), promulgated by SEPA on 20 November 2017 which became effective on the same date, require the project owner to self-assess whether the construction project has met the requirements for environmental protection and undergo environmental protection acceptance process.

LABOUR

Employment Contracts

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

Employee Funds

Under applicable PRC laws, regulations and rules, including the Social Insurance Law (社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which became effective on 1 July 2011, and last amended on 29 December 2018, which became effective on the same day, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), promulgated by the State Council on 22 January 1999, which became effective on 22 January 1999, and last amended on 24 March 2019, which became effective on the same day, and Administrative Regulations on the Housing Provident Fund (住房公積金管理條例), promulgated by the State Council on 3 April 1999, which became effective on 3 April 1999 and last amended on 24 March 2019, which became effective on the same day, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the outstanding amount within a stipulated time period.

REGULATIONS REGARDING OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Measures for the Administration of Overseas Investment of Enterprises (企業境外投資管理辦法) issued on 26 December 2017 and which became effect on 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment projects. In particular, overseas investment projects involving sensitive countries and regions or sensitive industries shall be subject to confirmation by the NDRC. Projects shall be subject to the filing with the competent governmental body. Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds U.S.\$300 million shall be subject to the filing with NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below U.S.\$300 million shall be subject to the filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or the Macau Special Administrative Region shall be governed by the Measures for the Administration of Overseas Investment of Enterprises (企業境外投資管理辦法).

According to the NDRC Circular, which was issued by the NDRC on 14 September 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue.

The NDRC Circular relates to the matters as listed below:

- remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system. Realise the supervision and administration of the size of foreign debts borrowed on a macro level with the record-filing, registration, and information reporting of the issuance of foreign debts by enterprises;
- before the issuance of foreign debts, enterprises shall first apply to the NDRC for the handling of the record-filing and registration procedures and shall report the information on the issuance to NDRC within 10 working days of completion of each issuance;
- record-filing and registration materials to be submitted by an enterprise for the issuance of foreign debts shall include: application report for the issuance of foreign debts and issuance plan, including the currency, size, interest rate, and maturity of foreign debts, the purpose of the funds raised, back flow of funds, etc. The applicant shall be responsible for the authenticity, legality, and completeness of the application materials and information;
- the NDRC shall decide whether to accept the application for record-filing and registration within 5 working days of receiving it and shall issue a Certificate for Record-filing and Registration of the Issuance of Foreign Debts by Enterprises within seven working days of accepting the application and within the limit of the total size of foreign debts;
- the issuer of foreign debts shall handle the procedures related to the outflow and inflow of foreign debt funds with the Certificate for Record-filing and Registration according to the regulations. When the limit of the total size of foreign debts is exceeded, the NDRC shall make a public announcement and no longer accept applications for record-filing and registration;

- if there is a major difference between the actual situation of the foreign debts issued by the enterprises and the situation indicated in the record-filing and registration, an explanation shall be given when reporting relevant information. The NDRC shall enter the poor credit record of an enterprise which maliciously and falsely reports the size of its foreign debts for record-filing and registration into the national credit information platform.

MOFCOM Supervision

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

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

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

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

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

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

Foreign Exchange Administration

According to Regulation of the People's Republic of China on Foreign Exchange Administration (中華人民共和國外匯管理條例) and Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定), corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment or an IC card to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

According to the Administrative Measures for Foreign Debt Registration and its operating guidelines, effective as at 13 May 2013, issuers of foreign debts are required to register with the SAFE. Issuers other than banks and financial departments of the government shall go through registration or record-filing procedures with the local branch of the SAFE within 15 business days of entering into a foreign debt agreement. If the receipt and payment of funds related to the foreign debt of such issuer is not handled through a domestic bank, the issuer shall, in the event of any change in the amount of money withdrawn, principal and interest payable or outstanding debt, go through relevant record-filing procedures with the local branch of the SAFE.

On 12 January 2017, the PBOC issued the Notice of the People's Bank of China on matters concerning the Macro-Prudential Management of Full-Covered Cross-Border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**Cross-Border Financing Notice**"), which came into effect on the same day. The Cross-Border Financing Notice established a mechanism aimed at regulating cross border financing activities based on the capital or net asset of the borrowing entities using a prudent management principle on a macro nationwide scale. The Cross-Border Financing Notice applies to non-financial enterprises, excluding financing platforms of the government and real estate corporations.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) also apply to overseas investment projects. Where overseas enterprises wholly owned or controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good

reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

Pursuant to the Interim Measures for Administration of Overseas State-owned Property Right of Central Enterprises, the central enterprise shall, in a unified way, apply for property right registration with the SASAC, where any of the following events take place in connection with a central enterprise or its subsidiaries at all levels:

1. where an overseas enterprise is established by way of investment, division or consolidation, or the property right of an overseas enterprise is obtained for the first time by way of acquisition or equity investment;
2. where any change occurs to an overseas enterprise's basic information including its name, registration place, registered capital and the main business scope, or the overseas enterprise's property right information changes due to any changes in the capital contributors, amount of capital contributions and proportions of capital contributions;
3. where an overseas enterprise no longer keeps state-owned property right due to dissolution, bankruptcy, or property right transfer and capital reduction; or
4. other circumstances in which property right registration needs to be made.

REGULATIONS SPECIFIC TO THE COMPANY'S BUSINESSES

Thermoelectric engineering is an energy-saving industry, of which the state politics and laws have been gradually perfected. The NPC (全國人民代表大會), the State Council (國務院), the NEA (國家能源局), the NDRC (國家發展改革委員會) and other state organs and departments have successively promulgated and implemented a series of laws, regulations and policies, ensuring the sustainable development of the thermoelectric industry.

The NPC has promulgated the PRC Electric Power Law (《中華人民共和國電力法》), and safeguards and promotes the development of the electric power industry, and protects electric power investors. The NEA shall protect the legitimate rights and interests of operators and users, and safeguard the safe operation of electric power. The electric power industry shall satisfy the needs of the national economy and social development, and shall develop slightly ahead of the actual needs. The state encourages and guides domestic and foreign economic organizations and individuals to invest according to law in the development of power sources and the establishment of the electric power generation industry. The PRC Clearance Production Promotion Law (《中華人民共和國清潔生產促進法》) and The PRC Circular Economy Promotion Law (《中華人民共和國迴圈經濟促進法》) and other laws and regulations regulate the safety and energy conservation standards of the thermoelectric industry.

The State Council has promulgated other electric power regulations to strengthen the implementation of the thermoelectric industry, such as Regulations on the Supply and Use of Electric Power (《電力供應與使用條例》), Regulations on the Supervision of Electric Power (《電力監管條例》), etc. The Implementing Scheme for the System of Reporting the Energy Utilization Conditions of Key Energy-consuming Entities (《重點用能單位能源利用狀況報告制度實施方案》) and the General Principles for the Calculation of Comprehensive Energy Consumption (《綜合能耗計算通則》)(GB/T 2589-2008), etc, are a series of measures formulated by the NDRC to ensure the steady development of thermal power plants. In order to accelerate the pace of the CHPG, the NEA solicited and issued several administrative opinions, such as Opinions for the Administration of the CHPG Construction during the 12th Five-Year Plan (《「十二五」熱電聯產建設管理意見》) and etc.

TAXATION

The following summary of certain tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

PRC TAXATION

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of PRC for the PRC tax purposes. These beneficial owners are referred to as non-resident Bondholders in this “PRC Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Pursuant to the EIT Law effective on 1 January 2008 (amended on 29 December 2018) and the IIT Law, and their implementation rules respectively, an income tax is imposed on the interests by way of withholding in respect of the Bonds, paid by the Issuer (if such interests are regarded as income derived from sources within the PRC under the EIT Law or the IIT Law (as the case may be)) to non-resident Bondholders, including non-resident enterprises and non-resident individuals. The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest.

Pursuant to the EIT Law effective on 1 January 2008 (amended on 29 December 2018) and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) but whose places of effective management are within the territory of the PRC shall be resident enterprises for the purpose of the EIT law and they shall pay enterprise income tax at the rate of 25% in respect of their income sourced from both within and outside the PRC. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the place of effective management organ of the Issuer is within the territory of the PRC, the Issuer may be held to be a resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside the PRC. As confirmed by the Issuer and the Company, up to the date of This Offering Circular, the Company or the Issuer has not been notified by the PRC tax authorities that the Issuer is considered a resident enterprise for the purpose of the EIT Law and its implementation regulations.

Pursuant to the EIT Law and the IIT Law, and their implementation rules respectively, if the Issuer is held to be a resident enterprise by relevant tax authorities, the interest on the Bonds paid to holders that are non-resident enterprises and non-resident individuals would be regarded as income derived from sources within the PRC and the Issuer would be obligated to withhold PRC enterprise income tax of up to 10% on payments of interest or 20% to holders that are non-resident individuals, unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where the holder is a

tax resident and the PRC. Similarly, any gain realized by non-resident enterprise holders and non-resident individual holders from the transfer of Bonds may be regarded as being derived from sources within the PRC, and accordingly, the holders of the Bonds would be subject to 10%, or 20% of PRC withholding tax unless exempted by tax treaties or arrangements entered into between the country or region where the holder is a tax resident and the PRC. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income.

However, the tax so charged on interests paid on the Bonds to non-resident Bondholders who or which are residents of Hong Kong (including enterprise holders and individual holders) as defined under the Arrangement will be 7% of the gross amount of the interest pursuant to the Arrangement and relevant interpretations formulated by the State Administration of Taxation of the PRC. According to the Arrangement, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC taxes (or higher PRC tax rates) in relation to any interest income or gains realised on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their EIT and IIT obligations.

On 23 March 2016, the MOF and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform (Caishui [2016] NO.36, “**Circular 36**”) (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which introduced a new VAT from 1 May 2016. Under Circular 36, VAT is applicable where the entities or individuals provide services within the PRC. The operating income generated from the provision of taxable sale of services by entities and individuals, such as financial services, shall be subject to PRC VAT if the seller or buyer of the services is within PRC. In the event that foreign entities or individuals do not have a business establishment in the PRC, the purchaser of services shall act as the withholding agent. According to the Explanatory Notes to Sale of Services, Intangible Assets and Real Property attached to Circular 36, financial services refer to the business activities of financial and insurance operation, including loan processing services, financial services of direct charges, insurance services and the transfer of financial instruments, and the VAT rate applicable to such financial services is 6%. Circular 36 further clarified that “loan processing” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Therefore, based on the interpretation of “loan processing” under the Circular 36, the issuance of the Bonds may be treated as the Bondholders providing loans to the Issuer, which thus shall be regarded as the provision of financial services. If the Issuer is treated as PRC tax resident and if PRC tax authorities take the view that the Bondholders are providing loans within the PRC, the Bondholders will be subject to VAT at the rate of 6% and certain surcharges when receiving the interest payments under the Bonds. If the Issuer is treated as a PRC resident enterprise, the Issuer shall calculate the withholding tax according to the following formula: withholding tax = price paid by the purchaser ÷ (1 + tax rate) × tax rate. Pursuant to the Circular 36, the PRC Law on Urban Maintenance and Construction Tax 《中華人民共和國城市維護建設稅法》, the Interim Provisions on Imposition of Education Surcharge 《徵收教育費附加的暫行規定》(國務院令 第588號), the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (《關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》(國發[2010]35號), the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-invested Enterprises 《關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知》(財稅[2010]103號), the municipal maintenance tax and education surcharge will be applicable when entities and individuals are obliged to pay VAT (for an

aggregate of 12% on any VAT payable) and consequently, the combined rate of VAT and surcharges would be around 6.72%. However, there is uncertainty as to whether gains derived from a sale or exchange of Bonds consummated outside of the PRC between non-PRC resident Bondholders will be subject to PRC VAT. VAT is unlikely to be applicable to any transfer of the Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, there is uncertainty as to whether or not China (Shanghai) Pilot Free Trade Zone resident investors would be treated as non-resident enterprises or individuals of the PRC. In the event that China (Shanghai) Pilot Free Trade Zone resident investors holding the Bonds are treated as PRC tax residents, such holders may be subject to additional PRC VAT on the transfer of the Bonds. China (Shanghai) Pilot Free Trade Zone resident investors should further consult their own legal and tax advisors in relation to their VAT obligations. Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

The Issuer has agreed to pay additional amounts to holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in “*Terms and Conditions of the Bonds*”.

No PRC stamp duty will be imposed on non-resident Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds.

If the LC Bank makes any payments in respect of interest on the Bonds under the Standby Letter of Credit, the LC Bank may be obliged to withhold PRC enterprise income tax at the rate of up to 10 per cent. on such payments to non-PRC resident enterprise Bondholders as such payments will be regarded as being derived from sources within the PRC, and VAT and surcharges at a rate around 6.72 per cent. may also be applicable.

Stamp Duty

According to the Stamp Duty Law of the PRC promulgated by the Standing Committee of the National People's Congress on 10 June 2021, which became effective on 1 July 2022, enterprises or individuals of the PRC which conclude or receive any instruments specified in these rules shall be obliged to pay relevant stamp duties in accordance with the provisions therein. A taxpayer shall calculate the amount of stamp duty payable according to the nature of the taxable instruments. However, as there is no specific regulations or guidelines relating to the taxation of the issuance of cross-border debt securities in the China (Shanghai) Pilot Free Trade Zone, it is uncertain if the issuance of the Bonds may be deemed as the entry into a loan contract in the PRC. If the issuance of the Bonds is treated as the same as the entry into a loan contract, both the borrower and lender (i.e. the Issuer and the investor purchasing the Bonds, respectively) would be each subject to stamp duty of 0.005 per cent, of the amount borrowed (or such higher rate if local governments have other additional requirements).

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside the PRC.

Any taxpayer, withholding agent, tax authority or its staff member in violation of the provisions of the Stamp Duty Law of the PRC will be subject to legal liability in accordance with the Administration Law of Tax Collection of the PRC (中華人民共和國稅收徵收管理法) and the relevant laws and administrative regulations. Investors should further consult their own legal and tax advisors in relation to their PRC stamp duty obligations and liabilities in relation to any transfer of the Bonds.

HONG KONG TAXATION

Withholding tax

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

Profits tax

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

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

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

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

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

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

Stamp duty

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

UNITED STATES' FOREIGN ACCOUNT TAX COMPLIANCE ACT TAX PROVISIONS

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting or related requirements. The Issuer or the Company may be a foreign financial institution for these purposes. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Bonds, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Bonds, such withholding would not apply prior to 1 January 2019 and Bonds issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. Bondholders should consult their own tax advisers regarding how these rules may apply to their investment in the Bonds.

SUMMARY OF DIFFERENCES BETWEEN PRC GAAP AND IFRS

The audited consolidated financial statements of the Group included in this Offering Circular have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect the PRC's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Company. Each of the Issuer and the Company is responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the financial information and related footnote disclosure as to the difference between PRC GAAP and IFRS and no attempt has been made to quantify such differences. Had any such quantification or reconciliation been undertaken by the Company, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant ongoing projects that could affect future comparisons or events that may occur in the future.

Accordingly, there is no assurance that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, each investor must rely upon its own examination of the Group, the LC Bank, the Standby Letter of Credit and the terms of the offering, including the merits and risks involved. Each investor should consult its own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

REVERSAL OF AN IMPAIRMENT LOSS

Under PRC GAAP, once an impairment loss is recognized for a long-term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period. Under IFRS, an impairment loss recognized in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

LEASES

IFRS 16 — Leases is effective for the annual reporting period commencing 1 January 2019.

On 7 December 2018, the MOF issued revised the Accounting Standards for Business Enterprises No. 21 — Leases (the “**new PRC Leases Standards**”).

According to the transition requirements of the new PRC Leases Standards, as the Company is not listed overseas, the Company is not required to implement the new PRC Revenue Standards till 1 January 2021.

There is no substantive difference between the new PRC Leases Standards and IFRS 16 except for the effective date illustrated as above.

At present, the Company is using the Accounting Standards for Business Enterprises No. 21 issued by the MOF on February 2006 (the “**existing Leases Standards**”).

Under the existing Leases Standards, if a lease is classified as an operating lease, for lessees, the lease payments should be recognized as an expense in the income statement over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern of the user's benefit. For lessors, the lease income arising from an operating lease should be recognized over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which use benefit is derived from the leased asset is diminished.

Under the new PRC Leases Standards and IFRS 16, upon lease commencement a lessee recognizes a right-of-use asset and a lease liability other than the two exemptions: leases with a lease term of 12 months or less and containing no purchase options; and leases where the underlying asset has a low value.

Accounting by lessees

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Adjustments may also be required for lease incentives, payments at or prior to commencement and restoration obligations or similar.

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate.

Accounting by lessors

Lessors shall classify each lease as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

GOVERNMENT GRANT

Under PRC GAAP, a government subsidy is required to be recognised as capital surplus if it is stipulated as a capital invested by government in the provisions of the relevant documents, and an assets-related government grant is only required to be recognised as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

Under IFRS, such assets-related government grants are allowed to be presented in the consolidated balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement with the Joint Lead Managers dated 9 December 2022 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer and the Company have agreed that the Issuer will sell to the Joint Lead Managers or as the Joint Lead Managers may direct, and the Joint Lead Managers have severally and not jointly agreed to subscribe and pay for or to procure subscribers to subscribe and pay for, the Bonds at an issue price of 100 per cent. of their principal amount in the amount set forth in the following table.

	Principal Amount of Bonds
	(RMB)
AMC Wanhai Securities Limited	590,000,000
BOCOM International Securities Limited	50,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	50,000,000
BOSC International Company Limited	20,000,000
Shenwan Hongyuan Securities (H.K.) Limited	20,000,000
China Galaxy International Securities (Hong Kong) Co., Limited	20,000,000
Total	750,000,000

The Subscription Agreement provides that the Issuer and the Company will jointly and severally indemnify the Joint Lead Managers and their related parties against certain liabilities in connection with the offer and sale of the Bonds.

The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate the Subscription Agreement in certain circumstances at any time prior to the payment of the net proceeds of the issue of the Bonds to the Issuer on the Issue Date.

The Joint Lead Managers and their affiliates may have in the past engaged, and may in the future engage, in transactions with and perform services, including financial advisory and commercial and investment banking services, for the Issuer and its respective affiliates in the ordinary course of business, for which they received or will receive customary fees and agreed expenses.

The Joint Lead Managers and their affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering contemplated herein. Accordingly, references herein to the Bonds being “**offered**” should be read as including any offering of the Bonds to the Joint Lead Managers and/or their affiliates, or affiliates of the Issuer or the Company for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained. The Issuer, the Company and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

The Joint Lead Managers and their affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Issuer, the Company or its subsidiaries, jointly controlled entities or associated companies and may be paid fees in connection with such services

from time to time. In the ordinary course of its various business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such transactions, investments and securities activities may involve securities and instruments of the Issuer, the Company or its subsidiaries, jointly controlled entities or associated companies, may be entered into at the same time or proximate to offers and sales of Bonds or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Bonds. The Joint Lead Managers or their affiliates that have a lending relationship with the Issuer or the Company routinely hedge their credit exposure to the Issuer or the Company consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's or the Company's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer and/or the Company, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer or the Company.

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in its capacity as stabilisation manager (the "**Stabilisation Manager**") (or any person acting on its behalf) may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in doing so the Stabilisation Manager shall act as principal and not as agent of the Issuer or the Company and any loss resulting from over-allotment and stabilisation will be borne, and any profit arising therefrom shall be beneficially retained, by the Stabilisation Manager.

IMPORTANT NOTICE TO CMIS (INCLUDING PRIVATE BANKS, IF ANY) PURSUANT TO PARAGRAPH 21 OF THE CODE

This notice to CMIs (including Private Banks, if any) is a summary of certain obligations the Code imposes on CMIs, which require the attention and cooperation of other CMIs (including Private Banks, if any). Certain CMIs may also be acting as OCs for the offering of the Bonds 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 relevant 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, if any, 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 the offering of the Bonds may include institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, if applicable, and 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. CMI 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, if any) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer. In addition, CMIs (including Private Banks, if any) 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, if any, 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 (as applicable) 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, if any, should be aware that placing an order on a “principal” basis may require the relevant Joint Lead Managers to apply the “proprietary orders” requirements of the Code to such order and will require the relevant Joint Lead Managers to apply the “rebates” requirements of the Code to such order.

In relation to omnibus orders, when submitting such orders, CMIs (including Private Banks, if any) are requested to provide certain personal and/or confidential 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, if any) shall (i) take appropriate steps to safeguard the transmission of such information; (ii) are deemed to have obtained the necessary consents to disclose such information to each OC; and (iii) are deemed to have authorised the collection, disclosure, use and transfer of such information by the Joint Lead Managers, other CMIs 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 the offering of the Bonds. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in the offering of the Bonds. The Joint Lead Managers may be asked to demonstrate compliance with their respective obligations under the Code, and may request other CMIs (including Private Banks, if any) 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, if any) are required to provide the relevant Joint Lead Manager(s) with such evidence within the relevant timeline requested.

GENERAL

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Company or the Joint Lead Managers that would permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Accordingly, the Bonds should not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, circular, prospectus, form of application nor advertisement in connection with the Bonds should be distributed or published in or from any jurisdiction except in circumstances which will result in compliance with all applicable laws and regulations. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any of their affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or their affiliate on behalf of the Issuer in such jurisdiction.

UNITED STATES

The Bonds, the Guarantee and the Standby Letter of Credit have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds are being offered outside the United States pursuant to the exemption from registration under Regulation S under the Securities Act.

There is no public market for the Bonds and no such market is expected to develop in the future. The Bonds offered hereby are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom.

The Joint Lead Managers have represented, warranted and undertaken to the Issuer and the Company that:

- (i) *Offers/sales only in accordance with Regulation S*: it has not offered or sold, and will not offer or sell, any Bonds constituting part of its allotment within the United States except in accordance with Regulation S; and
- (ii) *No directed selling efforts*: neither it nor any of its Affiliates (nor any person acting on behalf of the Lead Manager or any of its Affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Bonds.

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

UNITED KINGDOM

The Joint Lead Managers have represented, warranted and agreed that:

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

HONG KONG

The Joint Lead Managers have represented, warranted and undertaken that:

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

SINGAPORE

The Joint Lead Managers have acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act (Chapter 289 of Singapore, as amended and modified from time to time) (the “SFA”). Accordingly, the Joint Lead Managers have represented, warranted 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 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:

- (1) 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)(i)(B) of the SFA;

- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the “**Financial Instruments and Exchange Act**”). Accordingly, the Joint Lead Managers have represented, warranted and undertaken that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds nor any interest therein in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

THE PEOPLE’S REPUBLIC OF CHINA

The Joint Lead Managers have represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People’s Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the applicable laws of the People’s Republic of China. However, in respect of the special arrangement in the China (Shanghai) Pilot Free Trade Zone, the Bonds are allowed to be offered or sold, directly or indirectly, in the China (Shanghai) Free Trade Zone to the extent that such offer or sale is permitted by the securities laws or any other applicable laws or regulations of the PRC, or approved by the relevant PRC regulatory authorities.

MACAU

The Joint Lead Managers have represented, warranted and agreed that the Bonds have not been and will not be promoted, distributed, sold or delivered in Macau, or any document relating to the Bonds be distributed or circulated in Macau, except under the terms of and in compliance with the Macau Financial System Act, as approved by Decree Law no. 32/93/M dated 5 July 1993 (the “**MFSA**”), and Circulars no. 033/B/2010-DSB/AMCM, no. 009/B/2019-DSB/AMCM and no. 008/B/2021-DSB/AMCM (together, the “**AMCM Guidelines**”) and any other laws in Macau that may apply to the offer and sale of the Bonds in Macau. The Bonds have not been and will not be registered or otherwise authorised for public offer under the MFSA and the AMCM Guidelines, thus may not be offered or sold in Macau, unless such offer is made by Macau licensed entities according to the MFSA and the AMCM Guidelines and upon their communication to the Monetary Authority of Macau (“**AMCM**”) and Chongwa (Macao) Financial Asset Exchange Co., Ltd. (“**MOX**”) (when applicable), in observation of the guidelines and recommendations issued by the Macau local regulatory authority (including AMCM and the MOX) from time to time.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds will be initially issued in uncertificated book-entry form held in CCDC (CCDC Code: G228084).
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer dated 23 November 2022. The Company has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the board of directors and resolutions of the shareholders of the Company dated 25 March 2022 and 28 March 2022, respectively.

An Enterprise Foreign Debt Filing Certificate dated 26 August 2022 has been obtained from the NDRC in connection with the issuance of the Bonds pursuant to the NDRC Circular and which remains in full force and effect as at the date of this Offering Circular. The Company undertakes to provide the requisite information on the issuance of the Bonds to the NDRC within 10 PRC Business Days after the Issue Date.

PRC counsel to the Issuer and PRC counsel to the Joint Lead Managers have advised that no other approvals or consents are required from any regulatory authorities or other relevant authorities in the PRC for the Company to issue the Bonds except for (i) the filing of the requisite information and documents with the NDRC within 10 PRC Business Days after the Issue Date and (ii) the completion of the registration of the Guarantee with SAFE within 180 calendar days after the Issue Date.

3. **No Material Change:** Save as otherwise disclosed in this Offering Circular, there has been no material change on the trading position, financial condition, prospects or results of operations, or general affairs of the Issuer, the Company or the Group since 31 December 2021 that is material in the context of the issue of the Bonds, the Guarantee or the Standby Letter of Credit.
4. **Litigation:** None of the Issuer, the Company or any member of the Group is involved in any litigation or arbitration proceedings that are material in the context of the Bonds nor is the Issuer or the Company aware that any such proceedings are pending or threatened as at the date of this Offering Circular.
5. **Available Documents:** Copies of the Standby Letter of Credit, the Guarantee, the Trust Deed, and the Agency Agreement will be available during normal business hours (being 9:00 a.m. to 3:00 p.m. Monday to Friday except for public holidays) for inspection from the Issue Date upon prior written request and proof of holding and identity satisfactory to the Trustee at the principal place of business of the Trustee (being at the date of this Offering Circular at 1/F., Far East Consortium Bldg., 121 Des Voeux Road Central, Hong Kong), so long as any of the Bonds is outstanding.
6. **Financial Statements:** The audited consolidated financial statements of the Group for the years ended 31 December 2019, 2020 and 2021 have been audited by the Auditors, the Company's independent auditor, as stated in its report appearing herein. The Translated Financial Statements are included in this Offering Circular.

7. **Listing:** Application has been made to MOX for the listing of, and permission to deal in, the Bonds by way of debt issues to MOX Professional Investors only. Admission to the listing of the Bonds on the MOX shall not be taken as an indication of the merits of the Issuer, the Company or the Bonds.

8. **Bank of Shanghai's Financial Statements:** Copies of the latest annual reports of Bank of Shanghai, as well as its public filings, can be downloaded free of charge from the website of the Bank of Shanghai and Shanghai Stock Exchange at <https://www.bosc.cn/en/AnnualReport/> and <http://www.sse.com.cn>, respectively. No representation, express or implied, is made by the Issuer, the Company, the Joint Lead Managers, the Trustee or the Agents, and none of them takes any responsibility, for the accuracy, completeness or sufficiency of any information available on such website.

INDEX TO THE FINANCIAL STATEMENTS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY AS AT AND FOR THE YEARS ENDED 31 DECEMBER 2019, 2020 AND 2021

Audit Report	F-3
Statement of Financial Position	F-7
Statement of Comprehensive Income	F-9
Statement of Cash Flows	F-10
Statement of Changes in Equity	F-11
Notes to Financial Statements	F-14

Note: The audited consolidated financial statements of the Group as of and for the years ended 31 December 2019, 2020 and 2021, with independent auditor's reports set out therein, have been reproduced from the Company's audited consolidated financial statements for the years ended 31 December 2019, 2020 and 2021 and contain page references to pages set forth in such audited consolidated financial statements. The English translation is for reference only. Should there be any inconsistency between the English and Chinese versions, the Chinese one should prevail.

Note: some pages in the audited consolidated financial statements of the Group have not been translated into English. Pages F-81 to F-88 show the business license and the practicing certificate of the Auditors, the qualification of the Auditors to engage in securities service, and the annual renewal registrations of the key team members of the team of the Auditors serving as the Group's auditors, as issued by the Chinese Institute of Certified Public Accountants.

Wuxi Nengda Thermoelectric Co., Ltd.

Audit Report

Year 2019-2021



	Page
1. Audit Report	1-4
2. Balance Sheet	5-6
3. Income Statement	7
4. Cash Flow Statement	8
5. Statement of Changes in Owners' Equity	9-11
6. Notes to Financial Statements	12-78

Client: Wuxi Nengda Thermoelectric Co., Ltd.

Practitioner: Reanda Certified Public Accountants LLP (Special general partnership)

TEL: (010)85886680

FAX: (010)85886690

Official Website: <http://www.Reanda.com>

Audit Report

Reanda Audit [2022] No.2430

To all shareholders of Wuxi Nengda Thermoelectric Co., Ltd.:

I. Opinion

We have audited the financial statements of Wuxi Nengda Thermoelectric Co., Ltd. (hereinafter, "your company"), which comprise the balance sheets of your company as at 31 December 2019, 2020 and 2021, the income statement of your company, the cash flow statement of your company and the statement of changes in owners' equity of your company for the year of 2019, 2020 and 2021 and notes to the financial statements.

In our opinion, the enclosed financial statements have been prepared pursuant to the China Accounting Standards (CAS) for business enterprise in all material aspects and present fairly the financial position of your company as at 31 December 2019, 2020 and 2021, as well as the operating results and the cash flows of your company for the year of 2019, 2020 and 2021.

II. Basis of opinion

We have conducted the audit work in accordance with China Registered Accountants Auditing Standards (CRAAS). The Responsibilities of Certified Public Accountants for the audit of the financial statements section of the auditor's report further describes our responsibilities under those standards. According to the CRAAS's Code of Ethics for Chinese Certified Public Accountants (the Code), we are independent from your company and have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

III. Responsibilities of the management and the governance layer for the financial statements

The management of your company is responsible for the preparation and fair presentation of financial statements pursuant to the provisions of the enterprise accounting standards, and design, implement and maintain of indispensable internal controls to ensure the financial statements are free from material

misstatement due to fraud or error.

In preparing the financial statements, the management are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The governance layer is responsible for supervising the financial reporting process of your company.

IV. Responsibilities of Certified Public Accountants for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, due to fraud or error, and issue an audit report that includes our opinion. Reasonable assurance is a high-level assurance, but is not a guarantee that a particular material misstatement can always be detected by the audit conducted pursuant to CRAASs. Misstatements can arise from fraud or error and are generally deemed material if the misstatements either individually or in aggregate are reasonably expected to influence the economic decisions made of users taken on the basis of these financial statement

We exercise professional judgment and maintain professional skepticism throughout the audit in line with auditing standards. Meanwhile, we also performed the following processes:

(1) Identifying and assessing the risks of material misstatements of financial statements due to fraud or error; designing and implementing audit procedure to respond to these risks and obtaining sufficient and appropriate audit evidence as the basis for audit opinion. As fraud might involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls, the risk of failure to identify the material misstatements due to fraud is higher than the risk of failure to identify the material misstatements due to error.

(2) Understanding the internal controls related to audit to design appropriate audit procedure; but not for the purpose of expressing any opinion on the effectiveness of internal controls.

(3) Evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates and related disclosures made by the management.

(4) Concluding on the appropriateness of the going concern assumption used by the management. Meanwhile, drawing conclusions on whether any exists considering circumstances that might cause significant doubts about your company's ability to continue as a going concern based on the audit evidence obtained. If we conclude that any significant uncertainty exists, the audit standards require us to remind the report users in the auditor's report to be aware of the related disclosures in the financial statements; if the disclosure is insufficient, we should express an unqualified opinion. Our conclusion is based on the information available up to the date of the auditor's report. However, future events or circumstances may cause your company to be unable to operate as a going concern.

(5) Evaluating the overall presentation, structure and contents of the financial statements and evaluating whether the financial statements fairly reflect the transactions and matters.

We communicate with governance layer about the scope of planned audit, schedule and significant audit findings including the internal control defects identified by us in the audit that call for attention particularly.

There is no text on this page, which is a signature and seal page for year 2019 to 2021 annual audit report of Wuxi Nengda Thermoelectric Co., Ltd. (Reanda Audit [2022] No.2430).

Reanda Certified Public Accountants LLP
(Special general partnership)
China Beijing



Chinese CPA:



Chinese CPA:



20 September 2022

Statement of Financial Position

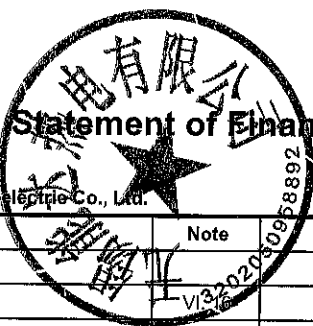
Prepared by: Wuxi Nengda Thermolectric Co., Ltd.

Currency: CNY

Item	Note	31/12/2021	31/12/2020	31/12/2019
Current assets:				
Cash at bank and on hand	VI. 1	1,036,200,650.86	1,078,150,607.32	496,451,618.67
★Financial assets held for trading				
Derivative financial assets				
Notes receivable	VI. 2		33,119,919.83	33,612,557.63
Trade receivables	VI. 3	8,997,905.26	11,191,164.28	13,818,707.65
★Receivables financing	VI. 4	11,354,032.90		
Prepayments	VI. 5	11,748,145.27	26,845,723.36	10,818,074.99
Other receivables	VI. 6	6,066,923,308.83	5,306,466,156.37	4,123,337,507.21
Inventory	VI. 7	10,229,747.36	6,816,521.69	9,174,818.29
★Contract assets				
Assets held for sale				
Non-current assets due within one year				
Other current assets	VI. 8	5,921,135.49		
Total current assets		7,151,374,925.97	6,462,590,092.85	4,687,213,284.44
Non-current assets:				
★Debt investments				
Financial assets available for sale	VI. 9		7,890,000.00	7,890,000.00
★Other debt investments				
Long-term receivables				
Long-term equity investments	VI. 10	11,553,991.53	11,553,155.82	10,575,813.97
★Other equity instrument investments				
★Other non-current financial assets	VI. 11	7,890,000.00		
Investment properties				
Fixed assets	VI. 12	474,208,186.70	493,540,661.32	430,775,467.33
Construction in progress	VI. 13	67,371,897.80	61,868,644.27	115,584,478.86
Productive biological assets				
Oil and gas assets				
★Right-of-use assets				
Intangible assets	VI. 14	5,708,000.00	6,074,000.00	6,440,000.00
Development expenditures				
Goodwill				
Long-term prepaid expenses				
Deferred tax assets	VI. 15	218,169.49	666,043.71	708,630.29
Other non-current assets				
Total non-current assets		566,950,245.52	581,592,505.12	571,974,390.45
Total assets		7,718,325,171.49	7,044,182,597.97	5,259,187,674.89



(转下页)



Statement of Financial Position (Continued)

Prepared by: Wuxi Nengda Thermosteptic Co., Ltd.

Currency: CNY

Item	Note	31/12/2021	31/12/2020	31/12/2019
Current liabilities :				
Short-term borrowings		975,000,000.00	350,000,000.00	897,000,000.00
Financial assets held for trading				
Derivative financial liabilities				
Notes payable	VI. 17			5,000,000.00
Trade payables	VI. 18	42,395,530.43	46,509,048.43	36,905,005.39
Advances from customers	VI. 19		20,434,401.69	18,710,480.32
★Contract liabilities	VI. 20	27,848,863.50		
Employee benefits payable	VI. 21			
Tax and surcharge payable	VI. 22	24,595,959.75	36,845,561.16	33,501,893.71
Other payables	VI. 23	2,350,050,514.53	2,291,068,099.13	628,359,512.39
Liabilities held for sale				
Non-current liabilities due within one year	VI. 24	439,333,333.34	245,333,333.34	253,333,333.34
Other current liabilities	VI. 25	2,506,397.72		
Total current liabilities		3,861,730,599.27	2,990,190,443.75	1,872,810,225.15
Noncurrent liabilities:				
Long-term borrowings	VI. 26		196,000,000.00	198,000,000.00
Bonds payable				
Including: Preference shares				
Perpetual debts				
★Lease liabilities				
Long-term payables	VI. 27	665,000,000.00	908,333,333.31	501,666,666.65
Long-term employee benefits payable				
Estimated Liabilities				
Deferred income				
Deferred tax liabilities				
Other non-current liabilities				
Total non-current liabilities		665,000,000.00	1,104,333,333.31	699,666,666.65
Total liabilities		4,526,730,599.27	4,094,523,777.06	2,572,476,891.80
Owner's equity:				
Paid-in capital	VI. 28	683,028,590.02	683,028,590.02	683,028,590.02
Other equity instruments				
Including: Preference shares				
Perpetual debts				
Capital reserve	VI. 29	251,205,500.00	251,205,500.00	251,205,500.00
Less: Treasury shares				
Other comprehensive income				
Special reserve				
Surplus reserve	VI. 30	230,436,048.15	203,542,473.02	175,247,669.24
Undistributed profits	VI. 31	2,026,924,434.05	1,811,882,257.87	1,577,229,023.83
Total owner's equity		3,191,594,572.22	2,949,658,820.91	2,686,710,783.09
Total liabilities and owner's equity		7,718,325,171.49	7,044,182,597.97	5,259,187,674.89

Page 12 to 78 in the Notes to Financial Statements are an integral part of these financial statements.

Page 5 to 11 of the Financial Statements are signed by:

Legal Representative:

Chief Financial Officer:

Head of Accounting Department:



Statement of Comprehensive Income

Prepared by: Wuxi Nengda Therapeutics Co., Ltd.

Currency: CNY

Item	Notes	2021	2020	2019
1. Total operating revenue	VI. 32	577,743,614.57	479,460,867.69	494,265,933.92
Less: operating cost	VI. 32	525,013,379.15	354,813,605.53	370,376,935.95
Taxes and surcharges	VI. 33	1,717,029.04	2,660,351.48	1,934,280.19
Selling expenses				
Administrative expenses	VI. 34	9,111,824.52	8,942,109.61	7,963,617.45
Research and development expenses				
Financial expenses	VI. 35	-1,460,561.53	227,752.14	-13,438,505.73
Including: Interest expense	VI. 35	8,989,009.75	22,000,050.00	
Interest income	VI. 35	10,471,617.34	21,800,140.80	13,455,906.12
Add: other income	VI. 36	235,000,000.00	198,000,000.00	190,310,000.00
Investment income (losses expressed with "-")	VI. 37	835.71	977,341.85	-179,746.23
Including: Investment income from associates and joint ventures				
★ Gains from derecognition of financial assets measured at amortized costs				
★ Gains on hedge of a net position (losses expressed with "-")				
Gains from changes in fair value (losses expressed with "-")				
★ Credit impairment losses (losses expressed with "-")	VI. 38	1,791,496.85		
Assets impairment losses (losses expressed with "-")	VI. 39		170,346.31	-43,424.99
Gains on disposal of assets (losses expressed with "-")				
2. Operating profit (loss expressed with "-")		280,154,275.95	311,964,737.09	317,516,434.84
Add: Non-operating income	VI. 40	4,278,172.43	850,038.44	27,600.06
Less: Non-operating expenses	VI. 41	1,783,059.73	1,550,725.10	3,664,680.41
3. Total profit (loss expressed with "-")		282,649,388.65	311,264,050.43	313,879,354.49
Less: Income tax expenses	VI. 42	13,713,637.34	28,316,012.61	30,598,190.19
4. Net profit (net loss expressed with "-")		268,935,751.31	282,948,037.82	283,281,164.30
Net profit from continuing operations (losses expressed with "-")		268,935,751.31	282,948,037.82	283,281,164.30
Net profit from discontinued operations (losses expressed with "-")				
5. Other comprehensive income, net of income tax				
A. Items that will not be reclassified subsequently to profit or loss				
1. Remeasurement of defined benefit liability /(asset)				
2. Other comprehensive income that cannot be reclassified to profit or loss under equity method				
★ 3. Investment in other equity instruments - Changes in fair value				
★ 4. Own credit risk - Changes in fair value				
5. Others				
B. Items that may be reclassified subsequently to profit or loss				
1. Other comprehensive income that can be reclassified to profit or loss under equity method				
★ 2. Changes in fair value of other creditor's rights investments - Changes in fair value				
★ 3. Other comprehensive income from reclassification of financial assets				
★ 4. Changes in fair value of other creditor's rights investments - Credit loss allowance				
5. Cash flow hedge reserve (Effective portion of gains or losses on cash flow hedge)				
6. Exchange differences on translating foreign operations				
7. Others				
6. Total comprehensive income		268,935,751.31	282,948,037.82	283,281,164.30
7. Earnings per share				
Basic earnings per share				
Diluted earnings per share				

Page 12 to 78 in the Notes to Financial Statements are an integral part of these financial statements.

Page 5 to 11 of the Financial Statements are signed by:

Legal Representative: 

Chief Financial Officer: 

Head of Accounting Department: 

Statement of Cash Flows

Prepared by: Wuxi Nengda Thermoelectric Co., Ltd.

Currency: CNY

Item	2021	2020	2019
I. Cash flow from operating activities:			
Cash received from sales of goods or rendering of services	559,513,077.98	530,699,708.03	406,637,503.42
Refunds of taxes and surcharges			
Cash received relating to other operating activities	686,738,821.61	1,890,640,764.60	2,971,096,333.32
Sub-total of cash inflows from operating activities	1,246,251,899.59	2,421,340,472.63	3,377,733,836.74
Cash paid for goods and services	415,190,529.85	378,809,625.52	254,019,456.36
Cash paid to and on behalf of employees	49,300,599.56	41,667,641.35	34,024,316.35
Cash paid for taxes and surcharges	32,016,578.80	36,937,025.03	31,387,125.71
Cash paid relating to other operating activities	1,089,339,924.87	1,188,816,903.74	2,645,255,034.38
Sub-total of cash outflows from operating activities	1,585,847,633.08	1,646,231,195.64	2,964,685,932.80
Net cash flows from operating activities	-339,595,733.49	775,109,276.99	413,047,903.94
2. Cash flows from investing activities:			
Cash received from disposal of investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			
Sub-total of cash inflows from investing activities			
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets	19,077,289.66	2,422,905.00	41,056,815.94
Cash paid for acquisition of investments			
Cash paid for obtaining subsidiaries and other business units			
Cash paid relating to other investing activities			
Sub-total of cash outflows from investing activities	19,077,289.66	2,422,905.00	41,056,815.94
Net cash flows from investing activities	-19,077,289.66	-2,422,905.00	-41,056,815.94
3. Cash flows from financing activities:			
Cash received from capital contributions			
Cash received from borrowings	1,095,000,000.00	1,270,000,000.00	2,382,000,000.00
Cash received relating to other financing activities			632,000,000.00
Sub-total of cash inflows from financing activities	1,095,000,000.00	1,270,000,000.00	3,014,000,000.00
Cash repayments of borrowings	1,081,333,333.34	1,420,333,333.34	2,466,333,333.34
Cash payments for distribution of dividends, profits, or for interest expenses	66,286,432.41	40,654,050.00	64,390,132.06
Cash paid relating to other financing activities			1,138,000,000.00
Sub-total of cash outflows from financing activities	1,147,619,765.75	1,460,987,383.34	3,668,723,465.40
Net cash flows from financing activities	-52,619,765.75	-190,987,383.34	-654,723,465.40
4. Effect of foreign exchange rate changes on cash and cash equivalents			
5. Net increase/ (decrease) in cash and cash equivalents	-411,292,788.90	581,698,988.65	-282,732,377.40
Add: Opening balance of cash and cash equivalents	1,078,150,607.32	496,451,618.67	779,183,996.07
6. Closing balance of cash and cash equivalents	666,857,818.42	1,078,150,607.32	496,451,618.67

Page 12 to 78 in the Notes to Financial Statements are an integral part of these financial statements.

Page 5 to 11 of the Financial Statements are signed by:

Legal Representative:



Chief Financial Officer:



Head of Accounting Department:



Statement of Changes in Equity

Currency: CNY

		2021										
		Other equity instruments		Capital reserve		Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owner's equity
		Preference stocks	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owner's equity
I. Opening balance of current year					251,205,500.00				203,542,473.02		1,811,882,257.87	2,949,658,820.91
Add: Changes in accounting policy												
Correction of previous error												
II. Closing balance of current year					251,205,500.00				203,542,473.02		1,811,882,257.87	2,949,658,820.91
III. Changes in current year (decrease expressed with "-")												
(i) Total comprehensive income for the year									26,893,575.13		215,042,176.18	241,935,751.31
(ii) Contributions by and distributions to owners												
1. Capital contributions from equity holders												
2. Share-based payments recognized in shareholders' equity												
3. Others												
(iii) Profit distribution												
1. Appropriation to surplus reserve									-26,893,575.13		-26,893,575.13	-27,000,000.00
2. Appropriation to general risk reserve												
3. Distributions to shareholders												
4. Others												
(iv) Internal transfer of shareholders' equity												
1. Capitalization of capital reserve												
2. Capitalization of surplus reserve												
3. Making up losses from surplus reserve												
4. Transfer of changes in defined benefit plans to retained earnings												
*5. Transfer of other comprehensive income to retained earnings												
6. Others												
(v) Special reserve												
1. Appropriation to special reserve												
2. Use of special reserve												
(vi) Others												
IV. Closing balance of current year					251,205,500.00				230,436,048.15		2,026,924,434.05	3,191,694,572.22

Page 12 to 78 in the Notes to Financial Statements are an integral part of these financial statements.

Page 5 to 11 of the Financial Statements are signed by:




Chief Financial Officer

Head of Accounting Department:





Statement of Changes in Equity (Continued)

	2020										Currency: CNY
	Date in capital	Other equity instruments		Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owners' equity	
		Preference stocks	Perpetual bonds								Others
I. Closing balance of prior year	683,028,590.02						175,247,669.24		1,577,229,023.83	2,686,710,783.09	
Add: Changes in accounting policy											
Correction of previous error											
Others	509,588.92										
II. Opening balance of current year	683,028,590.02						175,247,669.24		1,577,229,023.83	2,686,710,783.09	
III. Changes in current year (decrease expressed with "-")											
(i) Total comprehensive income for the year									234,653,234.04	262,948,037.82	
(ii) Contributions by and distributions to owners									282,948,037.82	282,948,037.82	
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others											
(iii) Profit distribution											
1. Appropriation to surplus reserve							28,294,803.78		-48,294,803.78	-20,000,000.00	
2. Appropriation to general risk reserve							28,294,803.78		-28,294,803.78		
3. Distributions to shareholders									-20,000,000.00	-20,000,000.00	
4. Others											
(iv) Internal transfer of shareholders' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
*5. Transfer of other comprehensive income to retained earnings											
6. Others											
(v) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(vi) Others											
IV. Closing balance of current year	683,028,590.02						203,542,473.02		1,811,882,257.87	2,949,658,820.91	

Page 12 to 78 in the Notes to Financial Statements are an integral part of these financial statements.

Page 5 to 11 in the Financial Statements are signed by:

Legal Representative:  Chief Financial Officer:  Head of Accounting Department: 



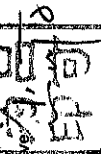
Statement of Changes in Equity (Continued)

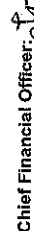
Prepared by: Weixi Nanjing Thermoelectric Co., Ltd.

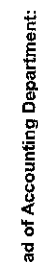
Item	2019										Currency: CNY
	Paid-in capital	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profits	Total owner's equity
		Preference stocks	Perpetual bonds								
I. Closing balance of prior year	683,028,590.02			251,205,500.00				146,919,552.81		1,322,275,975.96	2,403,429,618.79
Adjustments:											
Changes in accounting policy											
Correction of previous errors											
Others											
II. Opening balance of current year	683,028,590.02			251,205,500.00				146,919,552.81		1,322,275,975.96	2,403,429,618.79
III. Changes in current year (decrease expressed with "-")											
(i) Total comprehensive income for the year								28,328,116.43		284,953,047.87	283,281,164.30
(ii) Contributions by and distributions to owners										283,281,164.30	283,281,164.30
1. Capital contributions from owners											
2. Capital contributions from other equity instruments holders											
3. Share-based payments recognized in shareholders' equity											
4. Others											
(iii) Profit distribution											
1. Appropriation to surplus reserve								28,328,116.43		-28,328,116.43	
2. Appropriation to general risk reserve								28,328,116.43		-28,328,116.43	
3. Distributions to shareholders											
4. Others											
(iv) Internal transfer of shareholders' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Making up losses from surplus reserve											
4. Transfer of changes in defined benefit plans to retained earnings											
5. Others											
(v) Special reserve											
1. Appropriation to special reserve											
2. Use of special reserve											
(vi) Others											
IV. Closing balance of current year	683,028,590.02			251,205,500.00				175,247,669.24		1,577,229,023.83	2,686,710,783.09

Page 12 to 78 in the Notes to Financial Statements are an integral part of these financial statements.

Page 5 to 11 of the Financial Statements are signed by:

Legal Representative: 

Chief Financial Officer: 

Head of Accounting Department: 



Wuxi Nengda Thermoelectric Co., Ltd.

Notes to Financial Statements

From Year 2019 to Year 2021

(Unless otherwise specified, the currency is CNY)

I. Company Profile

Wuxi Nengda Thermoelectric Co., Ltd. (Hereinafter referred to as "the company" or "Nengda Thermoelectric Company"), formerly known as a Sino-foreign cooperative enterprise, was established on December 30, 1994 with the approval of Wuxi Foreign Economic Relations and Trade Commission under the document of Xi Wai Zi (1994) No.791. On January 19, 1995, the company obtained the Business License (Gong Shang Qi Zuo Zi No.00099) issued by the State Administration for Industry and Commerce, with a registered capital of 21.51 million US dollars. The partners are Jiangsu Xishan Economic and Technological Development Co., Ltd. (The former Jiangsu Wuxi County Economic Development Zone Development Corporation was renamed Jiangsu Xishan Economic and Technological Development Co., Ltd.), Jiangsu Silver Card Group Co., Ltd. and Southern East Asia Holdings Ltd; The above capital contribution was confirmed by Wuxi Xingxi Certified Public Accountants in four capital verification reports (Xingxi Kuaishi Yanzi (1995) No.3, No.5, No.13 and No.19) issued in February, March, May and June 1995 respectively.

On June 5, 1998, it was approved by Wuxi Foreign Economic and Trade Commission in the Reply on the Equity Transfer of Wuxi Nengda Thermoelectric Co., Ltd. Jiangsu Yinka Group Company, South East Asia Holding Co., Ltd. and Yibao Engineering (International) Co., Ltd. transferred all their shares in the company to Jiangsu Xishan Economic and Technological Development Co., Ltd. After the transfer, Jiangsu Xishan Economic and Technological Development Company enjoys 100% of the company's equity; the nature of the company is changed from a joint venture company to a wholly state-owned company.

On February 25, 2000, Jiangsu Xishan Economic and Technological Development Co., Ltd. and Xishan Energy Investment and Development Co., Ltd. worked out the Articles of Association of Wuxi Nengda Thermal Power Co., Ltd., and decided to establish Wuxi Nengda Thermal Power Co. Of which, Jiangsu Xishan Economic and Technological Development Co., Ltd. has subscribed a RMB

162,028,590.02 yuan of RMB 183,028,590.02 yuan, accounting for 88.53% of the registered capital; the subscribed capital contribution of Xishan Energy Investment Development Co., Ltd. is RMB 21million yuan, accounting for 11.47% of the registered capital. The above contribution information has been confirmed by the Capital Verification Report (Xiliang Kuaishi Neiyanzi (2000) No.1100) issued by Wuxi Liangxi Certified Public Accountants Co., Ltd. On April 14, 2000, the company was approved and registered by Xishan Administration for Industry and Commerce. After obtaining the business license of enterprise legal person with the registration number of 3202831106122, the registration number was changed to 320205000006298.

On April 15, 2002, Xishan Energy Investment Development Co., Ltd. transferred RMB 21 million yuan of equity to Wuxi Xishan Electric Power Industrial Company, and transferred RMB 25 million yuan of equity owned by Jiangsu Xishan Economic and Technological Development Co., Ltd. to Wuxi Xishan Electric Power Industrial Company. Wuxi Xishan Electric Power Industrial Company purchased RMB 25 million yuan of equity of Jiangsu Xishan Economic and Technological Development Co., Ltd. and RMB 21 million yuan of equity of Xishan Energy in cash. After the transfer, the equity of Jiangsu Xishan Economic and Technological Development Co., Ltd. accounted for 74.87%, and the equity of Wuxi Xishan Electric Power Industrial Co., Ltd. accounted for 25.13%.

On September 1, 2006, Wuxi Xishan Electric Power Industrial Company transferred its RMB 46million yuan equity to Wuxi Xishan Investment Development Co., Ltd. After the transfer, the equity of Jiangsu Xishan Economic and Technological Development Co., Ltd. accounted for 74.87%, and that of Wuxi Xishan Investment Development Co., Ltd. accounted for 25.13%.

On May 22, 2014, according to the change registration notice issued by Wuxi Xishan Administration for Industry and Commerce, the enterprise legal person was changed to Lv Kewei.

On June 1, 2015, Jiangsu Xishan Economic and Technological Development Co., Ltd. increased its registered capital by RMB 500million yuan in cash. After the capital increase, the registered capital of the company was RMB 683,028,590.02 yuan, of which Jiangsu Xishan Economic and Technological Development Co., Ltd. contributed RMB 637,028,590.02 yuan, accounting for 93.27% of the registered capital; Wuxi Xishan Investment Development Co., Ltd. (later renamed Wuxi Xishan Financial Investment Group Co., Ltd.) has subscribed 46million yuan, accounting for

6.73% of the registered capital. The above contribution information has been confirmed by the Capital Verification Report (Xijia Kuaiyan (2015) No.015) issued by Wuxi Jiayu Certified Public Accountants Co., Ltd.

Business scope of the company: production and sales of electricity, steam, hot water, flowers and trees, bonsai; landscaping. (for projects subject to approval according to law, business activities can only be carried out after being approved by relevant departments) licensed projects: port operation; port cargo handling activities; Installation, transformation and repair of special equipment (items subject to approval according to law can only be operated after being approved by relevant departments, and the specific business items shall be subject to the approval results) general items: general goods storage services (excluding items subject to approval such as hazardous chemicals) (except items subject to approval according to law, business activities can be carried out independently according to law with business licenses)

The financial statements were approved by the Board of Directors of the company on September 20, 2022.

II. Basis for preparation of financial statements

1. Preparation basis

The financial statements of the company are prepared on a going concern basis, according to the actual transactions and events. The preparation of financial statements is in compliance with the China Accounting Standards - Basic Standard issued and revised by the Ministry of Finance of People's Republic of China ("MOF") (MOF Order No. 33 and No. 76), 42 specific accounting standards, implementation guidance, interpretation and other related regulations issued and revised by the MOF on 15 February 2006 and thereafter (collectively referred to as "CAS").

According to the relevant provisions of CAS, the accounting of the company is based on the accrual basis. The measurement basis used in these financial statements is the historical cost basis, except for certain financial instruments. Non-current assets held for sale shall be valued at the lower of the amount of fair value less estimated expenses and the original book value when the conditions for holding for sale are met. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with the relevant provisions.

III. Statement on compliance with the Accounting Standards for Business

Enterprises

The financial statements prepared by the company comply with the requirements of the Accounting Standards for Business Enterprises, and truly and completely reflect the financial position of the company as of December 31, 2019, December 31, 2020 and December 31, 2021, as well as the operating results, cash flows and other relevant information of 2019, 2020 and 2021.

IV. Significant Accounting Policies and Accounting Estimates

1. Accounting period

The accounting periods of the company are divided into annual period and interim period. An accounting interim period is a reporting period shorter than a full accounting year. The fiscal year of the company shall be the Gregorian calendar year, i.e. from January 1 to December 31.

2. Functional currency

CNY is the currency of the primary economic environment in which the company and its domestic subsidiaries operate. The company and its domestic subsidiaries use CNY as the bookkeeping base currency. The currency adopted by the company in the preparation of the financial statements is CNY.

3. Criteria for determination of cash and cash equivalents

Cash and cash equivalents of the company include cash on hand, deposits that can be used for payment at any time and investments held by the company with short term (generally due within three months from the date of purchase), strong liquidity, easy conversion to known amount of cash and small risk of value change.

4. Financial instruments

A financial asset or financial liability is recognized when the company becomes a party to a financial instrument contract.

(1) Classification, recognition and measurement of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the company classifies financial assets into: financial assets measured at amortized cost; Financial assets measured at fair value through other comprehensive income; Financial assets measured at fair value and whose changes are included in the current profits or losses.

Financial assets are measured at fair value upon initial recognition. For financial assets measured at fair value and whose changes are included in the current profits or losses, the relevant transaction costs are directly included in the current profits and losses. For other categories of financial assets, the relevant transaction costs are

included in the initial recognition amount. For trade receivable or notes receivable arising from the sale of products or provision of services that do not include or do not take into account a significant financing component, the amount of consideration that the company is expected to be entitled to receive is recognized initially.

① Financial assets measured at amortized cost

The company manages its financial assets measured at amortised cost within a business model whose objective is to collect the contractual cash flows and has contractual cash flow characteristics that are consistent with the underlying borrowing and lending arrangements, i.e., the only cash flows that are generated on specified dates are payments of principal and interest on the principal amount outstanding. For such financial assets, the effective interest method is adopted for subsequent measurement based on the amortized cost, and the gains or losses arising from amortization or impairment are included in the current profits and losses.

② Financial assets at fair value through other comprehensive income

The company's business model for managing these financial assets is both to collect contractual cash flows and to sell, and the contractual cash flow characteristics of these financial assets are consistent with the underlying lending arrangements. The company measures such financial assets at fair value and its changes are included in other comprehensive income. However, impairment losses or gains, exchange gains or losses and interest income calculated by the effective interest method are included in the current profits or losses.

In addition, the company has designated certain investments in non-trading equity instruments as financial assets at fair value through other comprehensive income. The company includes the relevant dividend income of such financial assets in the current profit or loss, and the changes in fair value are included in other comprehensive income. When the recognition of the financial asset is terminated, accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings and will not be included in current profits or losses.

③ Financial assets at fair value through profit or loss

The company classifies the above financial assets other than those measured at amortized cost and those measured at fair value with changes included in other comprehensive income as financial assets measured at fair value with changes included in current profits and losses. In addition, at the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, some financial assets are designated as financial assets measured at fair value and whose changes are included in the current profits or losses. For such financial assets, the company adopts fair value for subsequent measurement, and the changes in fair value are

included in the current profits and losses.

(2) Classification, recognition and measurement of financial liabilities

Financial liabilities are classified at initial recognition as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value and whose changes are included in the current profits or losses, the relevant transaction costs are directly included in the current profits or losses, and the relevant transaction costs of other financial liabilities are included in their initial recognition amount.

① Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative instruments belonging to financial liabilities) and financial liabilities designated at fair value through profit or loss upon initial recognition.

Financial liabilities held for trading (including derivative instruments belonging to financial liabilities) shall be subsequently measured at fair value. Unless it is related to hedge accounting, the changes in fair value shall be included in the current profits and losses.

For financial liabilities designated to be measured at fair value through profit or loss, the changes in fair value of such liabilities caused by changes in the company's own credit risk are included in other comprehensive income, and when the recognition of such liabilities is terminated, the accumulated changes in fair value caused by changes in the company's own credit risk included in other comprehensive income are transferred to retained earnings. Other changes in fair value are included in the current profits and losses. If the accounting mismatch in the profit and loss will be caused or expanded by dealing with the impact of the changes in the own credit risk of such financial liabilities in the above way, the company will include all the gains or losses of such financial liabilities (including the amount affected by the changes in the own credit risk of the enterprise) into the current profit and loss.

② Other financial liabilities

Except for the financial liabilities and financial guarantee contracts formed by the transfer of financial assets that do not meet the derecognition conditions or continue to be involved in the transferred financial assets, other financial liabilities are classified as financial liabilities measured at amortized cost, which are subsequently measured at amortized cost, and the gains or losses arising from derecognition or amortization are included in the current profits and losses.

(3) Recognition basis and measurement method for transfer of financial assets

A financial asset that meets one of the following conditions shall be derecognized: ① the contractual right to collect the cash flow of the financial asset is

terminated; ② The financial asset has been transferred, and almost all the risks and rewards related to the ownership of the financial asset have been transferred to the transferee; ③ The financial asset has been transferred. Although the enterprise neither transfers nor retains almost all the risks and rewards of ownership of the financial asset, it gives up control of the financial asset.

If the enterprise neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset, and does not give up its control over the financial asset, it shall recognize the relevant financial asset according to the extent of its continuous involvement in the transferred financial asset and recognize the relevant liabilities accordingly. The extent of its continuing involvement in the transferred financial asset, it refers to the risk level that the enterprise faces due to the change of the value of the financial asset.

If the overall transfer of financial assets meets the conditions for derecognition, the difference between the book value of the transferred financial assets and the sum of the consideration received due to the transfer and the cumulative amount of changes in fair value originally included in other comprehensive income shall be included in the current profits and losses.

If the partial transfer of a financial asset meets the conditions for derecognition, the book value of the transferred financial asset shall be apportioned between the derecognized portion and the portion that has not been derecognized according to its relative fair value. The difference between the sum of the consideration received from the transfer and the cumulative amount of changes in fair value originally included in other comprehensive income that should be allocated to the derecognized portion and the aforementioned carrying amount allocated is included in the current profits or losses.

The company shall determine whether almost all the risks and rewards on the ownership of the financial assets have been transferred for the financial assets sold by means of recourse or the endorsement transfer of the held financial assets. If almost all of the risks and rewards related to the ownership of the financial asset have been transferred to the transferee, the recognition of the financial asset shall be terminated; if almost all the risks and rewards related to the ownership of the financial asset are retained, the recognition of the financial asset shall not be terminated; If it neither transfers nor retains nearly all the risks and rewards of ownership of the financial asset, it continues to judge whether the enterprise retains control over the asset and carries out accounting treatment in accordance with the principles described in the previous paragraphs.

(4) Termination of recognition of financial liabilities

If the current obligation of a financial liability (or part of it) has been discharged,

the company shall terminate the recognition of the financial liability (or part of it). Where the company (the borrower) enters into an agreement with the lender to replace the original financial liabilities by assuming new financial liabilities, and the contractual terms of the new financial liabilities are substantially different from those of the original financial liabilities, the recognition of the original financial liability shall be terminated. At the same time, a new financial liability is recognized. If the company substantially modifies the contractual terms of the original financial liabilities (or part of them), the original financial liabilities shall be derecognized, and a new financial liability shall be recognized in accordance with the modified terms.

If the recognition of a financial liability (or part of it) is terminated, the difference between its book value and the consideration paid (including the non-cash assets transferred out or the liabilities assumed) shall be included in the current profits or losses.

(5) Offset of financial assets and financial liabilities

When the company has the legal right to offset the recognized amount of financial assets and financial liabilities, and such legal right is currently enforceable, and the company plans to settle on a net basis or realize the financial assets and pay off the financial liabilities at the same time, the net amount of the financial assets and financial liabilities after offsetting each other shall be presented in the balance sheet. In addition, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset against each other.

(6) Determination method of fair value of financial assets and financial liabilities

The term "fair value" refers to the price that can be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. If there is an active market for a financial instrument, the company shall adopt the quoted price in the active market to determine its fair value. Quotation in an active market refers to the price that is easily obtained from exchanges, brokers, industry associations, pricing service agencies, etc. on a regular basis, and represents the price of the actual market transaction in a fair transaction. If there is no active market for a financial instrument, the company adopts valuation techniques to determine its fair value. The valuation techniques include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair values obtained by referring to other financial instruments of the same essential nature, the discounted cash flow method and the option pricing model, etc. At the time of valuation, the company adopts valuation techniques that are applicable to the current situation and are supported by sufficient available data and other information, selects input values that are consistent with the characteristics of assets or liabilities considered by

market participants in the transaction of relevant assets or liabilities, and gives priority to the use of relevant observable input values as far as possible. Non-observable input values are used when the relevant observable input value is not available or not feasible.

(7) Equity instruments

An equity instrument is a contract evidencing a residual interest in the assets of the company after deducting all liabilities. The issuance (including refinancing), repurchase, sale or cancellation of equity instruments by the company shall be treated as changes in equity, and the transaction costs related to equity transactions shall be deducted from equity. The company does not recognize changes in the fair value of equity instruments.

Dividends (including "interest" arising from instruments classified as equity instruments) distributed by the company's equity instruments during their existence shall be treated as profit distribution.

5. Impairment of financial assets

The financial assets of the company that need to be recognized for impairment losses are financial assets measured at amortized cost, debt instrument investments measured at fair value and whose changes are included in other comprehensive income, and lease receivables, mainly including notes receivable, trade receivable, other receivables, debt investments, other debt investments and long-term receivables. In addition, for contract assets and some financial guarantee contracts, provision for impairment shall also be made and credit impairment losses shall be recognized in accordance with the accounting policies mentioned in this part.

(1) Recognition method of provision for impairment

Based on the expected credit loss, the company shall make provision for impairment and recognize the credit impairment loss for the above items according to the applicable expected credit loss measurement.

Credit loss refers to the difference between all contractual cash flows receivable according to the contract discounted at the original effective interest rate and all cash flows expected to be received by the company, namely, the present value of all cash shortages. In particular, the company shall discount the purchased or originated financial assets with credit impairment at the credit-adjusted effective interest rate of such financial assets.

The general approach to the measurement of expected credit losses is that the company assesses at each balance sheet date whether the credit risk of a financial asset has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the company measures the loss

provision at an amount equivalent to the expected credit loss over the life of the asset. If there has been no significant increase in credit risk since initial recognition, the company measures the loss reserve at an amount equal to the expected credit loss in the next 12 months. The company considers all reasonable and well-founded information, including forward-looking information, in evaluating expected credit losses.

For financial instruments with low credit risk on the balance sheet date, the company assumes that there is no significant increase in credit risk since initial recognition, and chooses to measure the loss reserve according to the expected credit loss in the next 12 months.

(2) Criteria for judging whether the credit risk has increased significantly since the initial recognition

If the probability of default of a financial asset within the expected duration determined on the balance sheet date is significantly higher than the probability of default within the expected duration determined at initial recognition, it indicates that the credit risk of the financial asset increases significantly. Except in exceptional circumstances, the company uses the change in default risk occurring in the next 12 months as a reasonable estimate of the change in default risk occurring throughout the life cycle to determine whether there has been a significant increase in credit risk since initial recognition.

(3) Portfolio approach to assessing expected credit risk on a portfolio basis

The company individually evaluates the credit risk of financial assets with significantly different credit risks, such as receivables from related parties; Receivables in dispute with the other party or involved in litigation or arbitration; There are obvious signs that the debtor is likely to be unable to fulfill the obligation of repayment of receivables.

In addition to financial assets for which credit risk is assessed individually, the company classifies financial assets into different groups based on common risk characteristics and assesses credit risk on a portfolio basis.

(4) Accounting treatment method for impairment of financial assets

At the end of the period, the company calculates the estimated credit loss of various financial assets. If the estimated credit loss is greater than the carrying amount of the current provision for impairment, the difference is recognized as impairment loss; If it is less than the carrying amount of the current impairment provision, the difference is recognised as an impairment gain.

(5) Determination methods for credit losses of various financial assets

① Notes receivable

For notes receivable, the company measures the loss reserve at an amount

equivalent to the expected credit loss over the entire life of the notes receivable. Based on the credit risk characteristics of notes receivable, they are divided into different combinations:

Item	Basis for determining the combination
Banker's acceptance	The acceptor is a bank with low credit risk.
Commercial Acceptance Bill	The acceptor is a company other than a bank with a smaller credit risk.

②Accounts receivable and contract assets

For receivables and contract assets that do not contain a significant financing component, the company measures the loss reserve at an amount equal to the expected credit loss over the life of the asset.

For receivables that contain a significant financing component, contract assets and lease receivables, the company elects to always measure the provision for losses at an amount equal to expected credit losses over the lifetime.

In addition to the accounts receivable and contract assets for which the credit risk is assessed individually, they are divided into different combinations based on their credit risk characteristics:

Item	Basis for determining the combination
Portfolio 1. Risk-free portfolio	Deposit units, margin units, related party units, government platform companies and units with good market reputation (government institutions, etc.)
Combination 2. Aging combination	Receivables other than Portfolio 1 are included in this portfolio.

③Other receivables

The company measures the impairment loss of other receivables at an amount equivalent to the expected credit loss in the next 12 months or over the entire lifetime based on whether the credit risk of other receivables has increased significantly since initial recognition. Except for other receivables whose credit risk is assessed individually, they are divided into different combinations based on their credit risk characteristics:

Item	Basis for determining the combination
------	---------------------------------------

Portfolio 1. Risk-free portfolio	Deposit units, security units, related party units, government platform companies, units with good market reputation (government institutions, etc.) And all kinds of deposits, advances, quality assurance funds and other receivables that should be collected in daily activities.
Combination 2. Aging combination	Receivables other than Portfolio 1 are included in this portfolio.

6. Inventory

(1) Classification of inventories

Inventories mainly include raw materials, turnover materials, finished products and goods in stock.

(2) Valuation method of inventory acquisition and delivery

Inventories are priced at actual cost at the time of acquisition. The cost of raw materials, turnover materials, finished products and inventory goods includes purchase cost, processing cost and other costs. It is priced by the weighted average method at the time of collection and delivery.

(3) Recognition of net realizable value of inventories and method of provision for impairment losses

Net realizable value refers to the amount of the estimated selling price of inventories in daily activities minus the estimated costs to be incurred upon completion, the estimated selling expenses and the relevant taxes. The determination of the net realizable value of inventories is based on the conclusive evidence obtained, taking into account the purpose of holding inventories and the impact of events after the balance sheet date.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. When the net realizable value is lower than the cost, the inventory falling price reserve shall be withdrawn. The provision for decline in value of inventories is usually made based on the difference between the cost of a single inventory item and its net realizable value.

After the provision for decline in value of inventories is made, if the net realizable value of inventories is higher than their book value due to the disappearance of the factors affecting the previous write-down of inventory value, it shall be reversed within the amount of the provision for decline in value of inventories that has been made, and the reversed amount shall be included in the current profits and losses.

(4) The inventory system is perpetual inventory system.

(5) Amortization method of low-value consumables and packing materials

Low-value consumables are amortized by the one-off amortization method at the time of collection; The packing materials shall be amortized by the one-off amortization method at the time of collection.

7. Contract assets and contract liabilities

Methods and standards for recognition of contract assets

The company lists as contract assets in the balance sheet those rights that the customer has not yet paid the contract consideration, but the company has fulfilled its performance obligations under the contract, and are not unconditional (that is, only dependent on the passage of time) to collect from the customer. Contract assets and contract liabilities under the same contract are presented on a net basis, and contract assets and contract liabilities under different contracts are not offset.

For the determination method and accounting treatment method of expected credit loss of contract assets, please refer to Note IV.5 Impairment of financial assets.

8. Contract cost

If the incremental cost incurred by the company for obtaining the contract is expected to be recovered, it shall be recognized as an asset as the cost of obtaining the contract. However, if the amortization period of the asset does not exceed one year, it is included in the current profit and loss when it occurs.

If the cost incurred for the performance of a contract does not fall within the scope of other accounting standards for enterprises other than the Accounting Standards for Enterprises No.14-Revenue (2017 Revision) and meets the following conditions at the same time, it shall be recognized as an asset as the cost of contract performance:①The cost is directly related to a current or anticipated contract and includes direct labor, direct materials, overhead (or similar), costs specifically for the account of the customer, and other costs incurred solely as a result of the contract;②Such costs increase the resources of the company to fulfill its performance obligations in the future;③This cost is expected to be recovered.

Assets related to contract costs are amortized on the same basis as the recognition of commodity revenue related to the assets and included in the current profits and losses.

When determining the impairment loss of assets related to the contract cost, the company shall first determine the impairment loss of other assets related to the contract recognized in accordance with other relevant accounting standards for business enterprises; Then, if the book value is higher than the remaining consideration expected to be obtained by the company for the transfer of the commodity related to the asset and the estimated cost to be incurred for the transfer of the commodity related to the asset, the excess part shall be accrued for impairment and recognized as asset impairment loss.

If the aforesaid difference is higher than the book value of the asset due to subsequent changes in the impairment factors in the previous period, the provision for impairment of the asset shall be reversed and included in the current profit or loss, but the book value of the asset after reversal shall not exceed the book value on the reversal date under the assumption that no provision for impairment is made.

9. Assets held for sale

If the book value of a non-current asset or disposal group is recovered mainly through sale (including the exchange of non-monetary assets with commercial substance, the same below) rather than continuous use, it is classified as held for sale. The specific criteria are that the following conditions are met at the same time: a non-current asset or disposal group can be sold immediately in the current situation according to the practice of selling such assets or disposal groups in similar transactions; The company has resolved on the Plan of Sale and obtained a firm commitment to purchase; The sale is expected to be completed within a year. Among them, the disposal group refers to a group of assets that are sold or otherwise disposed of together as a whole in a transaction, as well as the liabilities directly related to these assets transferred in the transaction. Where the asset group or combination of asset groups to which a disposal group belongs has apportioned the business reputation acquired in a business combination according to the Accounting Standards for Enterprises No.8-Asset Impairment, the disposal group shall include the business reputation apportioned to the disposal group.

When the company initially measures or re-measures the non-current assets and disposal groups classified as held for sale on the balance sheet date, if the book value is higher than the net amount of the fair value minus the selling expenses, the book value shall be written down to the net amount of the fair value minus the selling

expenses, and the amount written down shall be recognized as asset impairment loss and included in the current profits and losses. At the same time, provision for impairment of assets held for sale shall be made. For a disposal group, the recognized asset impairment loss shall first offset the book value of the goodwill in the disposal group, and then offset the book value of each non-current asset in the disposal group that is subject to the measurement provisions of the Accounting Standards for Business Enterprises No.42-Non-current Assets Held for Sale, Disposal Groups and Discontinued Operations (hereinafter referred to as the "Standards for Held for Sale"). Where there is an increase in the net amount of the fair value of the disposal group held for sale on the subsequent balance sheet date minus the selling expenses, the amount previously written down shall be restored, and shall be reversed within the amount of asset impairment losses recognized for non-current assets applicable to the measurement requirements of the criteria for holding for sale after classification as held for sale, and the reversed amount shall be included in the current profits and losses. The book value shall be increased in proportion to the proportion of the book value of each non-current asset in the disposal group that is subject to the measurement requirements of the criteria for holding for sale, except for goodwill; The book value of the goodwill that has been written off and the impairment loss of the non-current assets recognized before being classified as held for sale according to the measurement requirements of the criteria for holding for sale shall not be reversed.

Non-current assets held for sale or in a disposal group are not depreciated or amortized, and interest and other expenses on liabilities in a disposal group held for sale continue to be recognized.

When the non-current assets or disposal group no longer meet the classification conditions of the category held for sale, the company will not continue to classify them as the category held for sale or remove the non-current assets from the disposal group held for sale, and shall be measured according to the lower of the following two: (1) The book value before being classified as the category of held-for-sale. The amount adjusted according to the depreciation, amortization or impairment that should have been recognized under the assumption that it is not classified as held for sale; (2) The recoverable amount.

10. Long-term equity investment

The long-term equity investment referred to in this part refers to the long-term equity investment that the company has control, joint control or significant influence on the invested unit. The long-term equity investment that the company has no control, joint control or significant influence on the investee shall be accounted for as available-for-sale financial assets or financial assets measured at fair value and whose changes are included in the current profits and losses. See Note IV.4 "Financial Instruments" for the accounting policy.

Joint control refers to the company's common control over an arrangement in accordance with relevant agreements, and the relevant activities of the arrangement can only be decided after the unanimous consent of the participants sharing control rights. Significant influence means that the company has the right to participate in the decision-making of the financial and operating policies of the investee, but cannot control or jointly control the formulation of these policies with other parties.

(1) Determination of investment cost

For a long-term equity investment acquired through business combination under the same control, the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the ultimate controlling party on the date of combination shall be regarded as the initial investment cost of the long-term equity investment. The difference between the initial investment cost of long-term equity investment and the cash paid, the non-cash assets transferred and the book value of the debts assumed shall be adjusted to the capital reserve; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If equity securities are issued as the merger consideration, the share of the book value of the owner's equity of the merged party in the consolidated financial statements of the ultimate controlling party on the date of merger shall be regarded as the initial investment cost of the long-term equity investment, and the total par value of the issued shares shall be regarded as the capital stock. The capital reserve shall be adjusted for the difference between the initial investment cost of the long-term equity investment and the total par value of shares issued. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For a long-term equity investment acquired through business combination not under the same control, the combination cost on the acquisition date is regarded as the initial investment cost of the long-term equity investment. The combination cost

includes the sum of the fair value of the assets paid by the acquirer, the liabilities incurred or assumed, and the equity securities issued.

Intermediary expenses such as audit, legal services, evaluation and consultation and other relevant administrative expenses incurred by the merging party or the acquirer for the business combination shall be included in the current profits and losses when they are incurred.

Equity investments other than the long-term equity investment formed by the merger of enterprises are initially measured at cost, which depends on the acquisition method of the long-term equity investment. It is determined according to the cash purchase price actually paid by the company, the fair value of the equity securities issued by the company, the value agreed in the investment contract or agreement, the fair value or original book value of the assets surrendered in the exchange transaction of non-monetary assets, and the fair value of such long-term equity investment itself. Expenses, taxes and other necessary expenditures directly related to the acquisition of long-term equity investment are also included in the investment cost.

(2) Subsequent measurement and profit and loss recognition method

Long-term equity investments that have joint control (except for joint operators) or significant influence on the investee shall be accounted for using the equity method. In addition, the company's financial statements adopt the cost method to account for long-term equity investments that can control the invested units.

① Long-term equity investment accounted by cost method

When the cost method is adopted for accounting, the long-term equity investment is priced at the initial investment cost, and the cost of the long-term equity investment is adjusted by adding or recovering the investment. Except for the price actually paid at the time of obtaining the investment or the cash dividends or profits declared but not yet distributed included in the consideration, the current investment income shall be recognized according to the cash dividends or profits declared and distributed by the investee.

② Long-term equity investment accounted by equity method

When the equity method is adopted for accounting, if the initial investment cost of the long-term equity investment is greater than the fair value of the identifiable net assets of the invested unit at the time of investment, the initial investment cost of the long-term equity investment shall not be adjusted; if the initial investment cost is less

than the fair value of the identifiable net assets of the invested entity at the time of investment, the difference shall be included in the current profits and losses, and the cost of long-term equity investment shall be adjusted at the same time.

When the equity method is adopted for accounting, the investment income and other comprehensive income shall be recognized respectively according to the share of the net profit or loss and other comprehensive income realized by the invested unit, and the book value of the long-term equity investment shall be adjusted at the same time. The book value of the long-term equity investment shall be reduced accordingly according to the part of the profits or cash dividends declared to be distributed by the invested unit; For other changes in the owner's equity of the investee other than net profit and loss, other comprehensive income and profit distribution, the book value of the long-term equity investment shall be adjusted and included in the capital reserve. When confirming the share of the net profit and loss of the investee, the net profit of the investee shall be adjusted and confirmed on the basis of the fair value of each identifiable asset of the invested unit at the time of obtaining the investment. If the accounting policies and accounting periods adopted by the investee are inconsistent with those of the company, the financial statements of the investee shall be adjusted in accordance with the accounting policies and accounting periods of the company, and the investment income and other comprehensive income shall be recognized accordingly. For transactions between the company and associated enterprises and joint ventures, if the assets invested or sold do not constitute business, the unrealized internal transaction gains and losses shall be offset by the portion attributable to the company according to the proportion enjoyed, and the investment gains and losses shall be recognized on this basis. However, the unrealized internal transaction losses incurred between the company and the investee shall not be offset if they belong to the impairment losses of the transferred assets.

The book value of the long-term equity investment and other long-term equities that substantially constitute the net investment in the investee are reduced to zero when the net loss of the investee is recognized to be shared. In addition, if the company has the obligation to bear additional losses to the investee, the estimated liabilities are recognized according to the estimated obligations and included in the current investment losses. If the investee realizes net profit in the subsequent period, the company shall resume to recognize the amount of income sharing after the amount of income sharing makes up for the unrecognized amount of loss sharing.

③ Acquisition of minority interest

When preparing the consolidated financial statements, the difference between the new long-term equity investment due to the purchase of minority equity and the share of net assets of the subsidiary calculated continuously from the date of purchase (or the date of merger) according to the new shareholding proportion shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For the disposal of long-term equity investment under other circumstances, the difference between the book value of the disposed equity and the actual acquisition price shall be included in the current profits and losses.

For a long-term equity investment accounted by the equity method, if the remaining equity after disposal is still accounted by the equity method, the part of other comprehensive income originally included in the owner's equity shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee according to the corresponding proportion. The owner's equity recognized due to other changes in owner's equity other than net profit or loss, other comprehensive income and profit distribution of the investee shall be carried forward to the current profit or loss in proportion.

For a long-term equity investment accounted for by the cost method, if the remaining equity after disposal is still accounted for by the cost method, the other comprehensive income recognized by the equity method or the recognition and measurement criteria of financial instruments before the control of the investee is obtained shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the investee. And carry forward the profits and losses of the current period in proportion; Changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution in the net assets of the investee recognized by the equity method shall be carried forward to the current profit and loss in proportion.

11. Fixed assets

(1) Recognition conditions of fixed assets

Fixed assets refer to the tangible assets held for the production of goods, provision of services, leasing or operation and management, with a useful life of more than one accounting year. A fixed asset is recognized only when the economic

benefits associated with it are likely to flow to the company and its cost can be measured reliably. Fixed assets are initially measured at cost and taking into account the impact of expected disposal costs.

(2) Depreciation method of various fixed assets

The fixed assets are depreciated by the straight-line method within the service life from the next month when they reach the expected usable state. The useful lives, estimated net salvage values and annual depreciation rates of various fixed assets are as follows:

Category	Depreciation method	Depreciation period (year)	Residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	Average-of-years method	20-50	0-5	1.90-5.00
Machinery and equipment	Average-of-years method	8-12	5	7.92-11.88
Electronic equipment	Average-of-years method	5-8	5	11.88-19.00
Transport equipment	Average-of-years method	3-8	5	11.88-31.67

The estimated net salvage value refers to the amount obtained by the company from the disposal of the fixed asset after deducting the estimated disposal expenses, assuming that the fixed asset is in the expected state at the end of its expected service life.

(3) Impairment test method and impairment provision method for fixed assets

Refer to Note IV.15 "Impairment of long-term assets" for the impairment test method and impairment provision method of fixed assets.

(4) Other description

For the subsequent expenditure related to the fixed asset, if the economic benefit related to the fixed asset is likely to flow in and its cost can be measured reliably, it shall be included in the cost of the fixed asset, and the book value of the replaced part shall be derecognized. Other subsequent expenses shall be included in the current profits and losses when incurred.

When a fixed asset is in a state of disposal or is expected to generate no economic benefits through use or disposal, the recognition of the fixed asset is

terminated. The balance of the disposal income from the sale, transfer, scrapping or damage of fixed assets after deducting its book value and relevant taxes shall be included in the current profits and losses.

The company shall recheck the service life, estimated net residual value and depreciation method of the fixed assets at least at the end of the year. If there is any change, it shall be treated as a change in accounting estimates.

12. Construction in progress

The cost of construction in progress is determined according to the actual project expenditure, including the project expenditure incurred during the construction period, the capitalized borrowing costs and other related costs before the project reaches the expected usable state. The construction in progress shall be carried forward as fixed assets after reaching the expected usable state.

Refer to Note IV.15 "Impairment of long-term assets" for the impairment test method and impairment provision method of construction in progress.

13. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange differences arising from foreign currency borrowings. Borrowing costs directly attributable to the acquisition and construction or production of assets eligible for capitalization shall be capitalized when the asset expenditure has been incurred, the borrowing costs have been incurred, and the acquisition and construction or production activities necessary to make the assets ready for their intended use or sale have been started; Capitalization shall be stopped when the constructed or produced assets eligible for capitalization reach the intended usable or saleable state. The remaining borrowing costs are recognized as expenses in the period in which they are incurred.

Capitalize the amount of interest expense actually incurred in the current period of the special loan minus the interest income obtained from the unused loan funds deposited in the bank or the investment income obtained from the temporary investment; The capitalization amount of general borrowings is determined by multiplying the weighted average asset expenditure of the part of the accumulated asset expenditure exceeding the special borrowings by the capitalization rate of the general borrowings occupied. The capitalization rate is determined based on the

weighted average interest rate of general borrowings.

During the capitalization period, all the exchange differences of foreign currency special borrowings shall be capitalized; The exchange difference of general foreign currency borrowings shall be included in the current profits and losses.

Assets eligible for capitalization refer to fixed assets, investment real estate, inventories and other assets that require a long period of acquisition and construction or production activities to reach the expected usable or saleable state.

If the acquisition and construction or production of assets eligible for capitalization are interrupted abnormally and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended until the acquisition and construction or production of assets restart.

14. Intangible assets

(1) Intangible assets

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the company.

Intangible assets are initially measured at cost. Expenditures related to intangible assets are included in the cost of intangible assets if the relevant economic benefits are likely to flow into the company and the cost can be measured reliably. Expenditures for other items shall be included in the current profits and losses when incurred.

Land use rights acquired are usually accounted for as intangible assets. For self-development and construction of buildings such as factory buildings, the related land use right expenditure and building construction cost are accounted for as intangible assets and fixed assets respectively. In case of purchased houses and buildings, the relevant price shall be allocated between the land use right and the buildings, and if it is difficult to allocate reasonably, all of them shall be treated as fixed assets.

For intangible assets with limited service life, the original value minus the estimated net residual value and the accumulated amount of provision for impairment shall be amortized averagely by stages by the straight-line method within its expected service life from the time when it is available for use. Intangible assets with uncertain service life shall not be amortized.

At the end of the period, the service life and amortization method of intangible

assets with limited service life shall be reviewed, and any change shall be treated as a change in accounting estimates. In addition, the service life of intangible assets with uncertain service life is reviewed. If there is evidence that the period for the intangible assets to bring economic benefits to the enterprise is foreseeable, the service life is estimated and amortized according to the amortization policy for intangible assets with limited service life.

(2) Research and development expenditures

Expenditures for internal research and development projects of the company are divided into expenditures at the research stage and expenditures at the development stage.

Expenditures incurred in the research stage shall be included in the current profits and losses when incurred.

If the expenditure in the development stage meets the following conditions at the same time, it shall be recognized as intangible assets. If the expenditure in the development stage fails to meet the following conditions, it shall be included in the current profits and losses:

- ① It is technically feasible to complete the intangible asset so that it can be used or sold;
- ② It has the intention to complete the intangible assets and use or sell them;
- ③ The way in which the intangible asset generates economic benefits, including being able to prove that there is a market for the products produced by using the intangible asset or that there is a market for the intangible asset itself, and that the intangible assets will be used internally, and being able to prove its usefulness;
- ④ It has sufficient technical, financial and other resources to complete the development of the intangible assets and has the ability to use or sell the intangible assets;
- ⑤ The expenditure attributable to the development stage of the intangible assets can be reliably measured.

If it is impossible to distinguish the expenditure in the research stage from the expenditure in the development stage, all the R & D expenditure incurred shall be included in the current profits and losses.

(3) Impairment test method and impairment provision method for intangible assets

Refer to Note IV.15 "Impairment of long-term assets" for the impairment test

method and impairment provision method of intangible assets.

15. Impairment of long-term assets

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, investment real estate measured in the cost mode and long-term equity investments in subsidiaries, joint ventures and associates, the company judges whether there is any sign of impairment on the balance sheet date. If there is any sign of impairment, the recoverable amount shall be estimated and the impairment test shall be conducted. Goodwill, intangible assets with uncertain service life and intangible assets that have not yet reached the usable state shall be tested for impairment every year, regardless of whether there is any sign of impairment.

If the result of the impairment test indicates that the recoverable amount of an asset is lower than its book value, provision for impairment shall be made based on the difference and included in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset minus the disposal expenses and the present value of the estimated future cash flow of the asset. The fair value of the asset is determined based on the price of the sales agreement in an arm's length transaction; If there is no sales agreement but there is an active market for the assets, the fair value shall be determined according to the buyer's bid for the assets; If there is no sales agreement and an active market for the asset, the fair value of the asset is estimated on the basis of the best available information. The disposal expenses include the legal expenses, relevant taxes, truckage and the direct expenses for bringing the assets into a marketable state. The present value of the expected future cash flow of an asset is determined by discounting the expected future cash flow generated during the continuous use and final disposal of the asset at an appropriate discount rate. The provision for impairment of assets is calculated and recognized on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs shall be determined. An asset group is the smallest combination of assets that can independently generate cash inflows.

For the goodwill separately presented in the financial statements, the book value of the goodwill is allocated to the asset group or combination of asset groups that are expected to benefit from the synergy effect of the business combination during the

impairment test. If the test result shows that the recoverable amount of the asset group or combination of asset groups containing the amortized goodwill is lower than its book value, the corresponding impairment loss shall be recognized. The amount of impairment loss shall first offset the book value of the goodwill allocated to the asset group or the combination of asset groups, and then offset the book value of other assets in proportion to the proportion of the book values of assets other than goodwill in the asset group or the combination of asset groups.

Once the impairment loss of the above assets is recognized, the part whose value can be recovered shall not be reversed in the subsequent period.

16. Employee benefit

Employee benefit of the company mainly includes short-term Employee benefit, post-employment benefits and dismissal benefits. Among

Short-term benefits mainly include wages, bonuses, allowances and subsidies, employee welfare, medical insurance premiums, maternity insurance premiums, industrial injury insurance premiums, housing accumulation funds, trade union funds and employee education funds, non-monetary benefits, etc. During the accounting period when employees provide services to the company, the company recognizes the actual short-term employee benefit as liabilities and includes it in the current profit and loss or the cost of relevant assets. Non-monetary benefits are measured at fair value.

Post-employment benefits consist primarily of defined contribution plans. The defined contribution plan mainly includes basic endowment insurance, unemployment insurance and annuity, and the corresponding amount to be deposited is included in the relevant asset cost or current profit and loss when it occurs.

When the company cannot unilaterally withdraw the dismissal benefits provided due to the termination of the labor relationship plan or the layoff proposal, or when the company recognizes the costs related to the reorganization involving the payment of dismissal benefits, the earlier of terminating the labor relationship with the employee before the expiration of the employee's labor contract or putting forward a compensation proposal to encourage the employee to voluntarily accept layoff. The employee benefit liabilities arising from the termination benefits shall be recognized and included in the current profits and losses. However, if the dismissal benefits are

not expected to be fully paid within 12 months after the end of the annual reporting period, they shall be treated as other long-term employee salaries.

The employee's internal retirement plan shall be handled in accordance with the same principle as the above dismissal benefits. During the period from the date when the employee stops providing services to the normal retirement date, the company will include the salary and social insurance premium to be paid to the early retired employees in the current profits and losses (dismissal benefits) when they meet the recognition conditions of estimated liabilities.

For other long-term employee benefits provided by the company to employees, if they conform to the defined contribution plan, they shall be subject to accounting treatment in accordance with the defined contribution plan. In addition, they shall be subject to accounting treatment in accordance with the defined benefit plan.

17. Revenue

When the contract between the company and the customer meets the following conditions at the same time, the revenue is recognized when the customer obtains the control of the relevant commodity: the parties to the contract have approved the contract and promised to perform their respective obligations; The contract specifies the rights and obligations of the parties to the contract in relation to the goods transferred or services provided; The contract has clear payment terms related to the transferred goods; The contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of the company's future cash flow; The consideration to which the company is entitled in respect of the transfer of the goods to the customer is likely to be recoverable.

On the commencement date of the contract, the company identifies each individual performance obligation in the contract and allocates the transaction price to each individual performance obligation in proportion to the individual selling price of the commodity committed under each individual contract. When determining the transaction price, the influence of variable consideration, significant financing components in the contract, non-cash consideration, consideration payable to customers and other factors are taken into account.

For each single performance obligation in the contract, if one of the following conditions is met, the company will recognize the transaction price allocated to the single performance obligation as revenue according to the performance progress

during the relevant performance period: the customer obtains and consumes the economic benefits brought by the company's performance at the same time of the company's performance; The customer is able to control the goods under construction in the course of the company's performance; The goods produced by the company in the course of performance have irreplaceable uses, and the company is entitled to receive payment for the part of the performance accumulated to date throughout the contract period. The performance progress is determined by the input method or the output method according to the nature of the transferred goods. When the performance progress cannot be reasonably determined, if the costs incurred by the company are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance progress can be reasonably determined.

If one of the above conditions is not met, the company will recognize revenue from the transaction price allocated to the single performance obligation at the time when the customer obtains control of the relevant commodity. In determining whether the customer has obtained control of the commodity, the company considers the following indications: the enterprise has the present right to receive payment for the commodity, that is, the customer has the present obligation to pay for the commodity; The enterprise has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity; the enterprise has transferred the commodity in kind to the customer, that is, the customer has possessed the commodity in kind; the enterprise has transferred the main risks and rewards on the ownership of the commodity to the customer, that is, the customer has obtained the main risks and rewards on the ownership of the commodity; the customer has accepted the commodity; any other indication that the customer has obtained control of the merchandise.

18. Government grants

Government grants refer to the monetary assets and non-monetary assets obtained by the company from the government free of charge, excluding the capital invested by the government as an investor and enjoying the corresponding owner's equity. Government grants are divided into Government grants related to assets and Government grants related to income. The company defines the Government grants obtained for the acquisition and construction of long-term assets or the formation of

long-term assets by other means as Government grants related to assets; The remaining government grants are defined as revenue-related government grants. If the government document does not specify the object of subsidy, the subsidy shall be divided into government subsidy related to income and government subsidy related to assets in the following ways: (1) If the government document specifies the specific project for which the subsidy is intended, it shall be divided according to the relative proportion of the amount of expenditure that will form assets and the amount of expenditure included in expenses in the budget of the specific project. The division ratio shall be reviewed on each balance sheet date, and shall be changed if necessary; (2) if the purpose is only stated in a general way in the government document, and no specific item is specified, it shall be regarded as a government subsidy related to income. If the government subsidy is a monetary asset, it shall be measured according to the amount received or receivable. If the government subsidy is a non-monetary asset, it shall be measured at its fair value; If the fair value cannot be obtained in a reliable way, it shall be measured at the nominal amount. The Government grants measured according to the nominal amount shall be directly included in the current profits and losses.

The company generally recognizes and measures the Government grants according to the actually received amount when they are actually received. However, if there is conclusive evidence at the end of the period that the relevant conditions stipulated in the financial support policy can be met, it is expected to receive the financial support funds, which shall be measured according to the amount receivable. Government grants measured by the amount receivable shall meet the following conditions at the same time: (1) The amount of subsidies receivable has been confirmed by the competent government departments, or can be reasonably estimated by themselves in accordance with the relevant provisions of the officially issued financial fund management measures, and there is no significant uncertainty in the estimated amount; (2) It is based on the financial support projects and their financial fund management measures officially issued by the local financial department and voluntarily disclosed in accordance with the Regulations on the Disclosure of Government Information, and the management measures should be inclusive (any enterprise that meets the prescribed conditions can apply), rather than specifically formulated for specific enterprises; (3) The relevant grant approval document has clearly promised the time limit for the payment, and the payment of the

grant is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed that it can be received within the prescribed time limit; (4) Other relevant conditions (if any) that should be met according to the specific circumstances of the company and the grant.

Government grants related to assets are recognized as deferred income and included in the current profits and losses by stages in a reasonable and systematic way within the service life of the relevant assets. If the government subsidy related to income is used to compensate the relevant costs or losses in the future, it shall be recognized as deferred income and included in the current profits and losses during the period when the relevant costs or losses are recognized; If it is used to compensate for the relevant costs or losses incurred, it shall be directly included in the current profits and losses.

At the same time, it includes Government grants related to assets and income, and different parts are accounted for separately. If it is difficult to distinguish, it shall be classified as a whole as a government subsidy related to income.

Government grants related to the daily activities of the company shall be included in other income or offset against relevant costs and expenses according to the substance of economic business; Government grants unrelated to daily activities shall be included in non-operating income and expenses.

When the recognized Government grants need to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess part shall be included in the current profits and losses; Under other circumstances, it shall be directly included in the current profits and losses.

19. Deferred income tax assets/deferred income tax liabilities

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods shall be measured by the expected amount of income tax payable (or refunded) calculated in accordance with the provisions of the tax law. The amount of taxable income on which the current income tax expense is calculated is based on the corresponding adjustment of the pre-tax accounting profit of the current year in accordance with the relevant tax laws.

(2) Deferred income tax assets and liabilities

The difference between the book value of certain assets and liabilities and their

tax basis, and the temporary difference arising from the difference between the book value and tax basis of items that are not recognized as assets and liabilities but whose tax basis can be determined in accordance with the provisions of the tax law, shall be recognized as deferred income tax assets and deferred income tax liabilities by the balance sheet liability method.

For the taxable temporary differences related to the initial recognition of goodwill and the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor have an impact on accounting profits and taxable income (or deductible losses), the relevant deferred income tax liabilities shall not be recognized. In addition, for the taxable temporary differences related to the investments of subsidiaries, associates and joint ventures, if the company can control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not be reversed in the foreseeable future, the relevant deferred income tax liabilities will not be recognized. In addition to the above exceptions, the company recognizes deferred income tax liabilities arising from all other taxable temporary differences.

For deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that are not business combinations and do not affect accounting profits and taxable income (or deductible losses) at the time of occurrence, the relevant deferred income tax assets shall not be recognized. In addition, for the deductible temporary differences related to the investments of subsidiaries, associates and joint ventures, if the temporary differences are not likely to be reversed in the foreseeable future, or the taxable income used to offset the deductible temporary differences is not likely to be obtained in the future, the relevant deferred income tax assets are not recognized. In addition to the above exceptions, the company recognizes deferred income tax assets arising from other deductible temporary differences to the extent that it is likely to obtain taxable income to offset the deductible temporary differences.

For the deductible losses and tax credits that can be carried forward to the following years, the corresponding deferred income tax assets shall be recognized to the extent of the future taxable income that is likely to be available to offset the deductible losses and tax credits.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities shall be measured at the applicable tax rate during the period when the

relevant assets are expected to be recovered or the relevant liabilities are expected to be settled in accordance with the provisions of the tax law.

On the balance sheet date, the book value of the deferred income tax assets shall be reviewed. If it is unlikely to obtain sufficient taxable income to offset the benefits of the deferred income tax assets in the future, the book value of the deferred tax assets shall be written down. When it is probable that sufficient taxable income will be obtained, the amount written down shall be reversed.

(3) Income tax expense

Income tax expense includes current income tax and deferred income tax.

Except that the current income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly included in the owner's equity are included in other comprehensive income or owner's equity, and the book value of goodwill adjusted by deferred income tax arising from business combination, the remaining current income tax and deferred income tax expenses or gains are included in the current profits and losses.

(4) Offset of income tax

When the company has the legal right to settle on a net basis and intends to settle on a net basis or acquire assets and settle liabilities at the same time, the current income tax assets and current income tax liabilities of the company are presented as the net amount after offsetting.

When there is a legal right to settle the current income tax assets and current income tax liabilities on a net basis, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection and administration department on the same tax subject or on different tax subjects, but in each future period when the deferred income taxes of significance are reversed. When the taxpayer involved intends to settle the current income tax assets and liabilities on a net basis or acquire assets and settle liabilities at the same time, the deferred income tax assets and deferred income tax liabilities of the company are presented on a net basis after offsetting.

20. Lease

A finance lease is a lease that transfers substantially all of the risks and rewards associated with the ownership of an asset, and the ownership of which may or may not eventually be transferred. Leases other than finance leases are operating leases.

(1) The company records the operating lease business as a lessee.

The rental expenses of operating leases are included in the relevant asset costs or current profits and losses on a straight-line basis during each period of the lease term. The initial direct expenses are included in the current profits and losses. The contingent rent is included in the current profit and loss when it is actually incurred.

(2) The company records the operating lease business as the lessor.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. The initial direct costs with a large amount shall be capitalized when incurred, and shall be included in the current profits and losses by stages on the same basis as the recognition of rental income throughout the lease period; other initial direct expenses with relatively small amounts are included in the current profits and losses when they are incurred. The contingent rent is included in the current profit and loss when it is actually incurred.

(3) The company records the financial leasing business as a lessee.

On the lease beginning date, the lower of the fair value of the leased asset on the lease beginning date and the present value of the minimum lease payments is recognized as the entry value of leased assets, the minimum lease payments is recognized as the entry value of long-term payables, and the difference is recognized as unrecognized financing costs. In addition, the initial direct costs attributable to the leased project incurred during the lease negotiation and signing of the lease contract are also included in the value of the leased assets. The balance of the minimum lease payments net of unrecognized financing charges shall be presented as long-term liabilities and long-term liabilities due within one year respectively.

The unrecognized financing expense is calculated and recognized as the current financing expense by adopting the effective interest rate method during the lease term. The contingent rent is included in the current profit and loss when it is actually incurred.

(4) The company records the financial leasing business as the lessor.

On the commencement date of the lease term, the sum of the minimum lease receipts on the commencement date of the lease and the initial direct expenses shall be recorded as the entry value of the financing lease receivables, and the unguaranteed residual value shall be recorded at the same time; The difference between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values is recognized as

unrealized financing income. The balance of the financial lease receivables after deducting the unrealized financing income shall be presented as long-term claims and long-term claims due within one year respectively.

The unrealized financing income is calculated and recognized as the financing income of the current period by adopting the effective interest rate method during the lease term. The contingent rent is included in the current profit and loss when it is actually incurred.

21. Other important accounting policies and accounting estimates

(1) Termination of operation

The term "discontinued operation" refers to a component that meets one of the following conditions, can be separately identified and has been disposed of or classified as a held-for-sale category by the company: ① the component represents an independent major business or a separate major business area; ② the component is part of a related plan to dispose of a separate principal business or a separate principal operating area; ③ the component is a subsidiary acquired solely for resale.

Please refer to Note IV.9 "Assets held for sale" for the accounting treatment of discontinued operations.

22. Changes in important accounting policies and accounting estimates

(1) Changes in accounting policies

① Implement the new financial instrument standards

In 2017, the Ministry of Finance issued the revised Accounting Standards for Enterprises No.22-Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No.23-Transfer of Financial Assets, Accounting Standards for Enterprise No.24-Hedging Accounting and Accounting Standard for Enterprises No.37-Presentation of Financial Instruments. The financial instrument standards before the revision (referred to as the "original financial instrument standards"), and the company will implement the new financial instrument standards from January 1, 2021.

With respect to the classification and measurement of financial assets, the new financial instrument standards require that financial assets are classified into three categories based on the contractual cash flow characteristics and the business model in which the entity manages such assets: financial assets measured at amortised

cost, financial assets measured at fair value through other comprehensive income and financial assets at fair value through profit or loss. The original classifications of loans and receivables, held-to-maturity investments and financial assets available for sale have been cancelled. Equity instrument investments are generally classified as financial assets measured at fair value and whose changes are included in the current profits and losses, and enterprises are also allowed to designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income, but the designation is irrevocable. The accumulated changes in fair value originally included in other comprehensive income shall not be carried forward and included in the current profits and losses.

In respect of the impairment of financial assets, the impairment requirements of the new standard on financial instruments apply to debt instrument investments measured at amortised cost and classified as at fair value through other comprehensive income, lease receivables and undrawn loan commitments and financial guarantee contracts. The new financial instrument standard requires the adoption of the expected credit loss model to replace the original incurred credit loss model.

Where the recognition and measurement of financial instruments before January 1, 2021 are inconsistent with the requirements of the new financial instrument standards, the company shall make convergence adjustments in accordance with the requirements of the new financial instrument standards. If the data of the comparative financial statements of the previous period are inconsistent with the requirements of the new financial instrument standards, the company will not make adjustments. The difference between the original book value of the financial instrument and the new book value on the implementation date of the new financial instrument standard shall be included in the retained earnings or other comprehensive income at the beginning of the period.

The company implemented the new financial instruments standard on January 1, 2021.

② Implementation of new revenue standards

The Ministry of Finance issued the revised Accounting Standards for Business Enterprises No.14 – Revenue (hereinafter referred to as the "New Revenue Standards") in 2017, and the company implemented the New Revenue Standards on

January 1, 2021.

③ Implement the new lease standard

On December 7, 2018, the Ministry of Finance issued the Accounting Standards for Business Enterprises No.21 – Leases (hereinafter referred to as the "New Lease Standards"), and the company implemented the New Lease Standards on January 1, 2021.

④ Other changes in accounting policies

During the reporting period, the company had no other changes in accounting policies.

(2) Changes in accounting estimates

None.

V. Taxes

1. Main taxes and tax rates

Tax Category	Specific tax rates
Value added tax	The output tax of taxable income (electricity) is calculated at the rate of 13%/ (steam) at the rate of 9%, and the VAT is calculated and paid according to the difference after deducting the input tax allowed to be deducted in the current period.
Urban maintenance and construction tax	It is calculated at 7% of the turnover tax actually paid.
Corporate income tax	It is calculated and paid at 25% of the taxable income.
Education surcharges	It is calculated and paid at 3% of the turnover tax actually paid.
Local education surcharges	It is calculated and paid at 2% of the turnover tax actually paid.

The applicable tax rate for the period from January to March 2019 for VAT taxable sales or imported goods of the company is 16%/10%. According to the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Policies for Deepening VAT Reform (Announcement [2019] No.39 of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs), Since April 1, 2019, the applicable tax rate is adjusted to 13%/9%. At the same time, as a taxpayer of production and living service industry, the company can deduct the tax payable by adding 10% to the current deductible input tax from April 1, 2019 to December 31, 2021.

2. Tax preference and approval document

In accordance with the provisions of exemption from enterprise income tax in the Notice of the Ministry of Finance and the State Administration of Taxation [2011] 70 on the Treatment of Enterprise Income Tax on Special Purpose Financial Funds, the financial funds obtained by enterprises from the financial departments and other departments of the people's governments at or above the county level during the reporting period shall be included in the total income. It can be regarded as non-taxable income.

VI. Notes to Financial Statement Items

1. Cash at bank and on hand

Item	December 31, 2021	December 31, 2020	December 31, 2019
Cash on hand	22,563.47	60,682.32	42,645.92
Bank deposits	666,878,087.39	712,089,925.00	204,383,500.66
Other monetary funds	369,300,000.00	366,000,000.00	292,025,472.09
Total	1,036,200,650.86	1,078,150,607.32	496,451,618.67

Among them, the details of restricted monetary funds are as follows:

Item	December 31, 2021	December 31, 2020	December 31, 2019
Frozen bank deposits	42,832.44		
Pledged time deposit		366,000,000.00	
Bank acceptance deposit			5,000,000.00
Total	42,832.44	366,000,000.00	

2. Notes receivable

Item	December 31, 2021	December 31, 2020	December 31, 2019
Banker's acceptance	-	33,119,919.83	33,612,557.63
Commercial Acceptance Bill	-		
Total	-	33,119,919.83	33,612,557.63

3. Accounts receivable

(1) Classification disclosure of accounts receivable

Category	December 31, 2021				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of provision (%)	

Category	December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	
Accounts receivable with significant single amount and single provision for bad debts		-			
Accounts receivable for which provision for bad debts is made according to credit risk characteristics	9,654,329.22	100.00	656,423.96	6.80	8,997,905.26
In which: aging combination	9,654,329.22	100.00	656,423.96	6.80	8,997,905.26
Accounts receivable with insignificant single amount but with single provision for bad debts					
Accounts receivable with single provision for bad debts					
Total	9,654,329.22	100.00	656,423.96	6.80	8,997,905.26

(Cont.)

Category	December 31, 2020				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	
Accounts receivable with significant single amount and single provision for bad debts		■			■
Accounts receivable for which provision for bad debts is made according to credit risk characteristics	12,119,023.52	100.00	927,859.24	7.66	11,191,164.28
In which: aging combination	12,119,023.52	100.00	927,859.24	7.66	11,191,164.28
Accounts receivable with insignificant single amount but with single provision for bad debts					
Accounts receivable with single provision for bad debts					
Total	12,119,023.52	100.00	927,859.24	7.66	11,191,164.28

(Cont.)

Category	December 31, 2019				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	

Category	December 31, 2019				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	
Accounts receivable with significant single amount and single provision for bad debts		■			■
Accounts receivable for which provision for bad debts is made according to credit risk characteristics	14,928,225.95	100.00	1,109,518.30	7.43	13,818,707.65
In which: aging combination	14,928,225.95	100.00	1,109,518.30	7.43	13,818,707.65
Accounts receivable with insignificant single amount but with single provision for bad debts					
Accounts receivable with single provision for bad debts					
Total	14,928,225.95	100.00	1,109,518.30	7.43	13,818,707.65

Of which: accounts receivable for which provision for bad debts is made by aging analysis method

Aging	December 31, 2021		December 31, 2020		December 31, 2019	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within 1 year (including 1 year)	9,471,479.22	473,573.96	11,780,172.92	589,008.64	14,546,008.05	727,300.40
1 to 2 years	-	-	-	-	-	-
2 to 3 years	-	-	-	-	-	-
More than 3 years	182,850.00	182,850.00	338,850.60	338,850.60	382,217.90	382,217.90
Total	9,654,329.22	656,423.96	12,119,023.52	927,859.24	14,928,225.95	1,109,518.30

(2) As of December 31, 2021, the top five accounts receivable of the ending balance collected by the debtor

Name of the debtor	Book balance	Proportion to total accounts receivable (%)	Provision for bad debts
People's Government of Xishan District	126,513.80	1.31	6,325.69
Wuxi Xinde Printing and Dyeing Products Co., Ltd.	1,936,517.92	20.06	96,825.90
State Grid Jiangsu Electric Power Company Limited	7,245,560.00	75.05	362,278.00

Name of the debtor	Book balance	Proportion to total accounts receivable (%)	Provision for bad debts
Management Committee of Xishan Economic and Technological Development Zone	98,312.20	1.02	4,915.61
Wuxi Jinli Textile Finishing Co., Ltd.	182,850.00	1.89	182,850.00
Total	9,589,753.92	99.33	653,195.20

4. Receivables financing

Item	December 31, 2021	December 31, 2020	December 31, 2019
Notes receivable	11,354,032.90		
Accounts receivable			
Total			

5. Prepayment

Aging	December 31, 2021		December 31, 2020		December 31, 2019	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Within 1 year	11,746,145.27	99.98	16,886,172.07	62.90	10,118,411.46	93.53
1 to 2 years	2,000.00	0.02	9,628,353.31	35.87	358,116.52	3.31
2 to 3 years			331,197.98	1.23	3,450.00	0.03
More than 3 years					338,097.01	3.13
Total	11,748,145.27	100.00	26,845,723.36	100.00	10,818,074.99	100.00

6. Other receivables

Item	December 31, 2021	December 31, 2020	December 31, 2019
Interest receivable			
Dividends receivable			
Other receivables	6,066,923,308.83	5,306,466,156.37	4,123,337,507.21
Total	6,066,923,308.83	5,306,466,156.37	4,123,337,507.21

(1) Other receivables

1 Disclosure of classification of other receivables

Category	December 31, 2021				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of provision (%)	

Category	December 31, 2021				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	
Other receivables with significant single amount and separately withdrawn bad debt reserves					
Other receivables for which provision for bad debts is made according to the combination of credit risk characteristics	6,067,139,562.84	100.00	216,254.01	Less than 0.01	6,066,923,308.83
In which: aging combination	1,356,693.37	0.02		15.94	1,140,439.36
Other receivables with provision for bad debts without risk combination	6,065,782,869.47	99.98			6,065,782,869.47
Other receivables with insignificant single amount but with separate provision for bad debts		-			-
Total	6,067,139,562.84	100.00		Less than 0.01	6,066,923,308.83

(Cont.)

Category	December 31, 2020				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	

Category	December 31, 2020				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	
Other receivables with significant single amount and separately withdrawn bad debt reserves					
Other receivables for which provision for bad debts is made according to the combination of credit risk characteristics	5,308,202,471.95	100.00	1,736,315.58	0.03	5,306,466,156.37
In which: aging combination	4,091,291.51	0.08	1,736,315.58	42.44	2,354,975.93
Other receivables with provision for bad debts without risk combination	5,304,111,180.44	99.92	-	-	5,304,111,180.44
Other receivables with insignificant single amount but with separate provision for bad debts		-			-
Total	5,308,202,471.95	100.00	1,736,315.58	0.03	5,306,466,156.37

(Cont.)

Category	December 31, 2019				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion of provision (%)	

Category	December 31, 2019				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion	Amount	Proportion of provision (%)	
Other receivables with significant single amount and separately withdrawn bad debt reserves					
Other receivables for which provision for bad debts is made according to the combination of credit risk characteristics	4,125,062,510.04	100.00	1,725,002.83	0.04	4,123,337,507.21
In which: aging combination	2,802,496.25	0.07	1,725,002.83	61.55	1,077,493.42
Other receivables with provision for bad debts without risk combination					
Other receivables with insignificant single amount but with separate provision for bad debts					
Total	4,125,062,510.04	100.00	1,725,002.83	0.04	4,123,337,507.21

Of which: accounts receivable for which provision for bad debts is made by aging analysis method

Aging	December 31, 2021		December 31, 2020		December 31, 2019	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Within 1 year (including 1 year)	-	-	2,478,922.03	123,946.10	667,258.87	33,362.94
1 to 2 years	1,341,693.37	201,254.01	-	-	521,879.40	78,281.91
2 to 3 years	-	-	-	-	-	-

Aging	December 31, 2021		December 31, 2020		December 31, 2019	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
More than 3 years	15,000.00	15,000.00	1,612,369.48	1,612,369.48	1,613,357.98	1,613,357.98
Total	1,356,693.37	216,254.01	4,091,291.51	1,736,315.58	2,802,496.25	1,725,002.83

1 As of December 31, 2021, the top five other receivables of the ending balance collected by the debtor

Name of the debtor	Book balance	Proportion to total other receivables (%)	Provision for bad debts
Xishan Economic and Technological Development Zone Finance Bureau	2,223,423,419.32	36.65	-
Wuxi Xishan Economic and Technological Development Municipal Engineering Co., Ltd.	1,346,050,300.00	22.19	-
Wuxi Xicheng Trading Co., Ltd.	1,113,309,150.15	18.35	-
Jiangsu Qingshui Environmental Protection Facilities Operation Co., Ltd.	894,000,000.00	14.74	-
Wuxi Yunlin Gold Investment Holding Co., Ltd.	405,000,000.00	6.68	-
Total	5,981,782,869.47	98.59	-

7. Inventory

(1) Inventory classification

Item	December 31, 2021		
	Book balance	Depreciation reserve	Book value
Raw materials	10,229,747.36		10,229,747.36
Total	10,229,747.36		10,229,747.36

(Cont.)

Item	December 31, 2020		
	Book balance	Depreciation reserve	Book value
Raw materials	6,816,521.69		6,816,521.69
Total	6,816,521.69		6,816,521.69

(Cont.)

Item	December 31, 2019		
	Book balance	Depreciation reserve	Book value
Raw materials	9,174,818.29		9,174,818.29

Total	9,174,818.29		9,174,818.29
-------	--------------	--	--------------

8. Other current assets

Item	December 31, 2021	December 31, 2020	December 31, 2019
Input tax to be deducted	5,263,122.59		
Prepaid income tax	658,012.90		
Total	5,921,135.49		

9. Financial assets available for sale

(1) Details of financial assets available for sale

Item	December 31, 2021	December 31, 2020	December 31, 2019
Bonds available for sale			
Equity instruments available for sale		7,890,000.00	7,890,000.00
Other			
Less: Provision for impairment of available-for-sale financial assets			
Total		7,890,000.00	7,890,000.00

10. Long-term equity investment

(1) Investment in associated enterprises

Investee	December 31, 2020	Increase and decrease in 2021				
		Addition al investm ent	Reduce investme nt	Investment gains and losses recognized under the equity method	Adjustment to other comprehensive income	Other changes in equity
Wuxi Kaifa Guarantee Investment Co., Ltd.	11,553,155.82			835.71		
Total	11,553,155.82			835.71		

Cont'd

Investee	Increase and decrease in 2021			December 31, 2021	Balance of provision for impairment as of December 31, 2021
	Declare cash dividends or profits	Provision for impairment	Other		
Wuxi Kaifa Guarantee Investment Co., Ltd.				11,553,991.53	
Total				11,553,991.53	

(Cont.)

Investee	Balance at December 31, 2019	Increase and decrease in 2020				
		Additional investment	Reduce investment	Investment gains and losses recognized under the equity method	Adjustment to other comprehensive income	Other changes in equity
1. Joint venture						
Subtotal						
II. Associated enterprise						
Wuxi Kaifa Guarantee Investment Co., Ltd.	10,575,813.97			977,341.85		
Subtotal	10,575,813.97			977,341.85		
Total	10,575,813.97			977,341.85		

Cont'd

Investee	Increase and decrease in 2020			Balance at December 31, 2020	Balance of provision for impairment as of December 31, 2020
	Declare cash dividends or profits	Provision for impairment	Other		
1. Joint venture					
Subtotal					
II. Associated enterprise					
Wuxi Kaifa Guarantee Investment Co., Ltd.				11,553,155.82	
Subtotal				11,553,155.82	
Total				11,553,155.82	

11. Other non-current financial assets

Item	December 31, 2021	December 31, 2020	December 31, 2019
Wuxi Xishan Xintai Financing Guarantee Co., Ltd.	7,890,000.00		
Total	7,890,000.00		

12. Fixed assets

Item	December 31, 2021	December 31, 2020	December 31, 2019
Fixed assets	474,081,191.70	493,540,661.32	430,140,793.98

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	December 31, 2021	December 31, 2020	December 31, 2019
Liquidation of fixed assets	126,995.00		634,673.35
Total	474,208,186.70	493,540,661.32	430,775,467.33

(1) Fixed assets

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
I. Total original book value	1,010,926,238.39	15,919,959.97	850,715.67	1,025,995,482.69
Including: houses and buildings	622,535,384.47		825,215.67	621,710,168.80
Machinery and equipment	382,219,447.54	14,025,918.64		396,245,366.18
Means of transport	1,686,784.89		25,500.00	1,661,284.89
Electronic equipment and others	4,484,621.49	1,894,041.33		6,378,662.82
II. Total accumulated depreciation	517,385,577.07	34,528,713.92		551,914,290.99
Including: houses and buildings	222,317,824.70	23,923,044.31		246,240,869.01
Machinery and equipment	290,313,718.45	9,885,258.03		300,198,976.48
Means of transport	600,216.41	5,188.88		605,405.29
Electronic equipment and others	4,153,817.51	715,222.70		4,869,040.21
III. Total net book value	493,540,661.32			
Including: houses and buildings	400,217,559.77			375,469,299.79
Machinery and equipment	91,905,729.09			96,046,389.70
Means of transport	1,086,568.48			1,055,879.60
Electronic equipment and others	330,803.98			1,509,622.61
IV. Total provision for impairment				
Including: houses and buildings				
Machinery and equipment				

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
Means of transport				
Electronic equipment and others				
V. Total book value	493,540,661.32			474,081,191.70
Including: houses and buildings	400,217,559.77			375,469,299.79
Machinery and equipment	91,905,729.09			96,046,389.70
Means of transport	1,086,568.48			1,055,879.60
Electronic equipment and others	330,803.98			1,509,622.61

(Cont.)

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
I. Total original book value	915,285,360.56	97,818,190.61	2,177,312.78	1,010,926,238.39
Including: houses and buildings	563,678,059.37	59,141,015.10	283,690.00	622,535,384.47
Machinery and equipment	345,620,331.95	38,219,048.07	1,619,932.48	382,219,447.54
Means of transport	1,773,831.54	125,897.35	212,944.00	1,686,784.89
Office equipment and others	4,213,137.70	332,230.09	60,746.30	4,484,621.49
II. Total accumulated depreciation	485,144,566.58	32,411,925.77	170,915.28	517,385,577.07
Including: houses and buildings	199,650,307.37	22,667,517.33		222,317,824.70
Machinery and equipment	280,793,469.54	9,520,248.91		290,313,718.45
Means of transport	771,131.69		170,915.28	600,216.41
Office equipment and others	3,929,657.98	224,159.53		4,153,817.51
III. Total net book value	430,140,793.98			493,540,661.32
Including: houses and buildings	364,027,752.00			400,217,559.77
Machinery and equipment	64,826,862.41			91,905,729.09
Means of transport	1,002,699.85			1,086,568.48
Office equipment and others	283,479.72			330,803.98
IV. Total provision for impairment				-
Including: houses and buildings				-
Machinery and equipment				-

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
Means of transport				-
Office equipment and others				-
V. Total book value	430,140,793.98			493,540,661.32
Including: houses and buildings	364,027,752.00			400,217,559.77
Machinery and equipment	64,826,862.41			91,905,729.09
Means of transport	1,002,699.85			1,086,568.48
Office equipment and others	283,479.72			330,803.98

(2) Disposal of fixed assets

Item	December 31, 2021	December 31, 2020	December 31, 2019
Machinery and equipment	126,995.00		634,673.35
Total	126,995.00		634,673.35

13. Construction in progress

Item	December 31, 2021	December 31, 2020	December 31, 2019
Construction in progress	67,371,897.80	61,868,644.27	115,584,478.86
Engineering materials			
Total	67,371,897.80	61,868,644.27	115,584,478.86

(1) Construction in progress

① Construction in progress

Item	December 31, 2021		
	Book balance	Provision for impairment	Book value
Heating Network Project	63,218,195.92		63,218,195.92
Boiler desulfurization and denitration reconstruction project	3,541,477.80		3,541,477.80
Modification of relay protection in main control room	116,294.88		116,294.88
Ammonia slip meter	495,929.20		495,929.20
Total	67,371,897.80		67,371,897.80

(Cont.)

Item	December 31, 2020		
	Book balance	Provision for impairment	Book value
Heating Network Project	49,570,458.75		49,570,458.75
Boiler desulfurization and denitration reconstruction project	12,298,185.52		12,298,185.52
Modification of relay protection in main control room			
Ammonia slip meter			
Total	61,868,644.27		61,868,644.27

(Cont.)

Item	December 31, 2019		
	Book balance	Provision for impairment	Book value
Heating Network Project	72,465,412.18		72,465,412.18
Boiler desulfurization and denitration reconstruction project	43,119,066.68		43,119,066.68
Modification of relay protection in main control room			
Ammonia slip meter			
Total	115,584,478.86		115,584,478.86

14. Intangible assets

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
I. Total original book value	18,300,000.00	-	-	18,300,000.00
Including: land use right	18,300,000.00			18,300,000.00
II. Total accumulated amortization	12,226,000.00	366,000.00	-	12,592,000.00
Including: land use right	12,226,000.00	366,000.00		12,592,000.00
III. Total accumulated amount of provision for impairment	-	-	-	-
Including: land use right				-
IV. Total book value	6,074,000.00	-	-	5,708,000.00

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
Including: land use right	6,074,000.00	-	-	5,708,000.00

(Cont.)

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
I. Total original book value	18,300,000.00			18,300,000.00
Land use right	18,300,000.00			18,300,000.00
II. Total accumulated amortization	11,860,000.00	366,000.00		12,226,000.00
Land use right	11,860,000.00	366,000.00		12,226,000.00
III. Total accumulated amount of provision for impairment				
Land use right				
IV. Total book value	6,440,000.00			6,074,000.00
Land use right	6,440,000.00			6,074,000.00

15. Deferred income tax assets

(1) Details of deferred income tax assets not offset

Item	December 31, 2021		December 31, 2020		December 31, 2019	
	Deductible temporary Difference	Deferred income tax assets	Deductible temporary Difference	Deferred income tax assets	Deductible temporary Difference	Deferred income tax assets
Provision for asset impairment	872,677.96	218,169.49	2,664,174.84	666,043.71	2,834,521.16	708,630.29
Total	872,677.96	218,169.49	2,664,174.84	666,043.71	2,834,521.16	708,630.29

16. Short-term loan

(1) Classification of short-term loans

Item	December 31, 2021	December 31, 2020	December 31, 2019
Guaranteed loan	975,000,000.00	350,000,000.00	897,000,000.00
Total	975,000,000.00	350,000,000.00	897,000,000.00

As of December 31, 2021, the details of short-term borrowings are as follows:

① The company entered into a loan contract with Wuxi Xishan Sub-branch of China

Minsheng Banking Corp., Ltd. to obtain a loan of RMB 350,000,000.00 yuan. The term of the loan is from January 6, 2021 to January 6, 2022, and the interest rate of the loan is 4.35%. The guarantor is Jiangsu Xishan Economic and Technological Development Co., Ltd.

② The company entered into a loan contract with Bank of Ningbo Co., Ltd. Wuxi Xishan Sub-branch to obtain a loan of RMB 200,000,000.00 yuan. The term of the loan is from September 27, 2021 to September 27, 2022. The interest rate of the loan is 4.35%. The guarantor is Jiangsu Xishan Economic and Technological Development Co., Ltd.

③ The company entered into a loan contract with Wuxi Xishan Sub-branch of Shanghai Pudong Development Bank to obtain a loan of RMB 150,000,000.00 yuan. The term of the loan is from March 16, 2021 to March 16, 2022, and the interest rate of the loan is 4.35%. The guarantor is Jiangsu Xishan Economic and Technological Development Co., Ltd.

④ The company signed a loan contract with Wuxi Branch of Bank of Suzhou Co., Ltd. to obtain a loan of RMB 100,000,000.00 yuan. The term of the loan is from January 11, 2021 to January 7, 2022. The interest rate of the loan is 4.35%. The guarantor is Jiangsu Xishan Economic and Technological Development Co., Ltd.

⑤ The company signed a loan contract with Wuxi Xishan Branch of China Everbright Bank Co., Ltd. to obtain a loan of 95,000,000.00 yuan. The loan period is from August 13, 2021 to August 12, 2022, and the loan interest rate is 4.45%. The guarantor is Jiangsu Xishan Economic and Technological Development Co., Ltd.

⑥ The company entered into a loan contract with Bank of Nanjing Co., Ltd. Wuxi Xishan Sub-branch to obtain a loan of RMB 80,000,000.00 yuan. The term of the loan is from August 17, 2021 to August 16, 2022. The interest rate of the loan is 4.35%. The guarantor is Jiangsu Xishan Economic and Technological Development Co., Ltd.

17. Notes payable

Item	December 31, 2021	December 31, 2020	December 31, 2019
Commercial Acceptance Bill			
Banker's acceptance			5,000,000.00
Total			5,000,000.00

18. Accounts payable

(1) Presentation of accounts payable

Item	December 31, 2021	December 31, 2020	December 31, 2019
Project payment	4,091,371.20	37,080.00	31,704,529.94
Payment for goods	38,304,159.23	46,471,968.43	5,200,475.45
Total	42,395,530.43	46,509,048.43	36,905,005.39

(2) Significant accounts payable aged over 1 year as of December 31, 2021

Item	Year-end balance	Reasons for non-repayment or carry-over
Wuxi Xishan Economic and Technological Development Municipal Engineering Co., Ltd.	913,395.00	Unsettled
Wuxi Xishan Construction Industry Co., Ltd.	1,058,539.04	Unsettled
Jiangsu Kaizheng Construction Co., Ltd.	632,758.00	Unsettled
Total	2,604,692.04	—

19. Advance receipts

Item	December 31, 2021	December 31, 2020	December 31, 2019
Payment for goods		20,434,401.69	18,710,480.32
Total		20,434,401.69	18,710,480.32

20. Contractual liabilities

Item	December 31, 2021	December 31, 2020	December 31, 2019
Payment for goods	27,848,863.50		
Total	27,848,863.50		

21. Payroll payable

(1) List of Employee benefit payable

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
I. Short-term remuneration		44,341,668.10	44,341,668.10	
II. Post-employment benefits – defined contribution plan		4,958,931.46	4,958,931.46	
III. Dismissal benefits				
IV. Other benefits due within one year				
Total		49,300,599.56	49,300,599.56	

(Cont.)

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
I. Short-term remuneration		39,319,211.09	39,319,211.09	
II. Post-employment benefits –		2,348,430.26	2,348,430.26	

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
defined contribution plan				
III. Dismissal benefits				
IV. Other benefits due within one year				
Total		41,667,641.35	41,667,641.35	

(2) List of short-term compensation

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
1. Salary, bonus, allowance and subsidy		31,076,073.81	31,076,073.81	
2. Employee welfare expenses		2,131,545.83	2,131,545.83	
3. Social insurance premiums		4,125,024.32	4,125,024.32	
Including: medical insurance premium		3,749,856.95	3,749,856.95	
Industrial injury insurance premium		44,511.38	44,511.38	
Maternity insurance		330,655.99	330,655.99	
4. Housing accumulation fund		5,996,812.00	5,996,812.00	
5. Trade union funds and staff education funds		1,012,212.14	1,012,212.14	
6. Short-term paid absence				
7. Short-term profit sharing plan				
Total		44,341,668.10	44,341,668.10	

(Cont.)

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
1. Salary, bonus, allowance and subsidy		28,837,122.50	28,837,122.50	
2. Employee welfare expenses		2,034,866.22	2,034,866.22	
3. Social insurance premiums		1,953,511.96	1,953,511.96	
Including: medical insurance		1,775,841.75	1,775,841.75	

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
premium				
Industrial injury insurance premium		21,079.52	21,079.52	
Maternity insurance		156,590.70	156,590.70	
4. Housing accumulation fund		5,477,604.00	5,477,604.00	
5. Trade union funds and staff education funds		1,016,106.41	1,016,106.41	
6. Short-term paid absence				
7. Short-term profit sharing plan				
Total		39,319,211.09	39,319,211.09	

(3) Listed in the defined contribution plan

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
1. Basic endowment insurance		4,769,985.18	4,769,985.18	
2. Unemployment insurance premium		188,946.28	188,946.28	
3. Enterprise annuity payment				
Total		4,958,931.46	4,958,931.46	

(Cont.)

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
1. Basic endowment insurance		2,258,949.86	2,258,949.86	
2. Unemployment insurance premium		89,480.40	89,480.40	
3. Enterprise annuity payment				
Total		2,348,430.26	2,348,430.26	

22. Taxes payable

Item	December 31, 2021	December 31, 2020	December 31, 2019
Value added tax		1,501,583.54	717,021.91
Land use tax	120,180.60		120,180.60
Corporate income tax	24,348,133.29	35,096,151.16	32,537,045.34
Property tax	127,645.86		127,645.86

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	December 31, 2021	December 31, 2020	December 31, 2019
Total	24,595,959.75	36,845,561.16	33,501,893.71

23. Other payables

Item	December 31, 2021	December 31, 2020	December 31, 2019
Interest payable			
Dividends payable	1,818,369.00	1,346,000.00	
Other payables	2,348,232,145.53	2,289,722,099.13	628,359,512.39
Total	2,350,050,514.53	2,291,068,099.13	628,359,512.39

(1) Dividends payable

Item	December 31, 2021	December 31, 2020	December 31, 2019
Common Stock Dividends	1,818,369.00	1,346,000.00	
Total	1,818,369.00	1,346,000.00	

(2) Other payables

① Shown by nature of amount

Item	December 31, 2021	December 31, 2020	December 31, 2019
Current account	2,337,250,980.92	2,272,099,087.95	610,152,203.54
Deposit, security deposit	49,000.00	72,500.00	10,000.00
Project payment	8,042,500.00	14,662,321.73	
Other	2,889,664.61	2,761,557.41	18,197,308.85
Service charge		126,632.04	
Total	2,348,232,145.53	2,289,722,099.13	628,359,512.39

② Significant other payables aged over 1 year as of December 31, 2021

Item	Year-end balance	Reasons for non-repayment or carry-over
Jiangsu Xishan Economic and Technological Development Co., Ltd.	2,269,078,180.95	Not yet settled
Total	2,269,078,180.95	—

24. Non-current liabilities due within one year

Item	December 31, 2021	December 31, 2020	December 31, 2019
Long-term loans due within one year	196,000,000.00	2,000,000.00	2,000,000.00

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	December 31, 2021	December 31, 2020	December 31, 2019
Long-term payables due within one year	243,333,333.34	243,333,333.34	251,333,333.34
Total	439,333,333.34	245,333,333.34	253,333,333.34

25. Other current liabilities

Item	December 31, 2021	December 31, 2020	December 31, 2019
VAT received in advance	2,506,397.72		
Total	2,506,397.72		

26. Long-term loan

Item	December 31, 2021	December 31, 2020	December 31, 2019
Guaranteed loan	196,000,000.00	198,000,000.00	200,000,000.00
Less: Long-term loans due within one year	196,000,000.00	2,000,000.00	2,000,000.00
Total	-	196,000,000.00	198,000,000.00

As of December 31, 2021, the details of long-term loans are as follows:

① The company signed a loan contract with Rural Commercial Bank of China and obtained a guaranteed loan of RMB 200,000,000.00 yuan. The term of the loan is from December 17, 2019 to November 27, 2022. The interest rate of the loan is 4.99%. The guarantor is Jiangsu Xishan Economic and Technological Development Co., Ltd. As of December 31, 2021, the loan balance is RMB 196,000,000.00 yuan, of which the long-term loan due within one year is RMB 196,000,000.00 yuan.

27. Long-term accounts payable

Item	December 31, 2021	December 31, 2020	December 31, 2019
Long-term accounts payable	665,000,000.00	908,333,333.31	501,666,666.65
Special accounts payable			
Total	665,000,000.00	908,333,333.31	501,666,666.65

(1) Long-term accounts payable

Item	December 31, 2021	December 31, 2020	December 31, 2019
ICBC Leasing Co., Ltd			108,000,000.00
China Financial Leasing Co., Ltd.	208,333,333.34	291,666,666.65	374,999,999.99
Xingye Financial Leasing Co., Ltd.	150,000,000.00	210,000,000.00	270,000,000.00
Winwin Financial Leasing Company Limited	550,000,000.00	650,000,000.00	

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	December 31, 2021	December 31, 2020	December 31, 2019
Less: Long-term payables due within one year	243,333,333.34	243,333,333.34	251,333,333.34
Total	665,000,000.00	908,333,333.31	501,666,666.65

28. Paid-in capital

Name of investor	December 31, 2021		December 31, 2020		December 31, 2019	
	Shareholding ratio	Amount of contribution	Shareholding ratio	Amount of contribution	Shareholding ratio	Amount of contribution
Wuxi Xishan Financial Investment Group Co., Ltd.	6.73	46,000,000.00	6.73	46,000,000.00	6.73	46,000,000.00
Jiangsu Xishan Economic and Technological Development Co., Ltd.	93.27	637,028,590.02	93.27	637,028,590.02	93.27	637,028,590.02
Total	100.00	683,028,590.02	100.00	683,028,590.02	100.00	683,028,590.02

29. Capital reserve

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
Capital premium (share premium)				
Other capital reserves	251,205,500.00			251,205,500.00
Total	251,205,500.00			251,205,500.00

(Cont.)

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
Capital premium (share premium)				
Other capital reserves	251,205,500.00			251,205,500.00

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
Total	251,205,500.00			251,205,500.00

30. Surplus reserve

Item	Balance at December 31, 2020	Increase in 2021	Decrease in 2021	Balance at December 31, 2021
Statutory surplus reserve	203,542,473.02	26,893,575.13		230,436,048.15
Total	203,542,473.02	26,893,575.13		230,436,048.15

(Cont.)

Item	Balance at December 31, 2019	Increase in 2020	Decrease in 2020	Balance at December 31, 2020
Statutory surplus reserve	175,247,669.24	28,294,803.78		203,542,473.02
Total	175,247,669.24	28,294,803.78		203,542,473.02

31. Undistributed profit

Item	Year 2021	Year 2020	Year 2019
Undistributed profit at the end of last year before adjustment	1,811,882,257.87	1,577,229,023.83	1,322,275,975.96
Adjust the total amount of undistributed profit at the beginning of the year (increase +, decrease-)			
Undistributed profit at the beginning of the year after adjustment	1,811,882,257.87	1,577,229,023.83	1,322,275,975.96
Plus: Net profit of current year	268,935,751.31	282,948,037.82	283,281,164.30
Less: Appropriation of statutory surplus reserve	26,893,575.13	28,294,803.78	28,328,116.43
Withdraw discretionary surplus reserve			
Withdraw general risk reserve			
Common stock dividends payable	27,000,000.00	20,000,000.00	
Common stock dividends transferred to capital stock			

Item	Year 2021	Year 2020	Year 2019
Undistributed profit at the end of year	2,026,924,434.05	1,811,882,257.87	1,577,229,023.83

32. Operating income and operating cost

Item	Year 2021		Year 2020		Year 2019	
	Income	Cost	Income	Cost	Income	Cost
Main business	566,532,871.47	522,779,082.17	458,153,867.02	352,328,929.34	481,326,449.75	367,541,241.79
Other business	11,210,743.10	2,234,296.98	21,307,000.67	2,484,676.19	12,939,484.17	2,835,694.16
Total	577,743,614.57	525,013,379.15	479,460,867.69	354,813,605.53	494,265,933.92	370,376,935.95

The classification is as follows

Business category	Year 2021		Year 2020		Year 2019	
	Income	Cost	Income	Cost	Income	Cost
Main business:						
Electricity sales	65,125,438.11	74,591,622.03	61,326,570.42	61,775,801.73	62,799,759.10	57,855,815.60
Steam sales	501,407,433.36	448,187,460.14	396,827,296.60	290,553,127.61	418,526,690.65	309,685,426.19
Subtotal	566,532,871.47	522,779,082.17	458,153,867.02	352,328,929.34	481,326,449.75	367,541,241.79
Other business:						
Hot Water Department	108,682.72	1,559,057.81	262,228.38	1,683,073.22	316,191.18	1,847,005.28
Sales of other thermoelectric production add-ons	716,814.19		1,508,849.60		1,066,411.78	
Dry Coal Ash	9,307,415.00		13,483,751.49		10,407,992.44	
Other	1,077,831.19	675,239.17	6,052,171.20	801,602.97	1,148,888.77	988,688.88
Subtotal	11,210,743.10	2,234,296.98	21,307,000.67	2,484,676.19	12,939,484.17	2,835,694.16
Total	577,743,614.57	525,013,379.15	479,460,867.69	354,813,605.53	494,265,933.92	370,376,935.95

33. Taxes and surcharges

Item	Year 2021	Year 2020	Year 2019
Urban maintenance and construction tax	373,015.28	600,074.29	276,040.13
Education surcharges	266,439.49	428,624.50	197,171.53
Property tax	485,570.20	639,729.72	639,729.72
Land use tax	240,361.20	480,722.40	480,722.40
Vehicle and vessel tax	2,069.68	2,717.31	3,083.60

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	Year 2021	Year 2020	Year 2019
Stamp duty	140,038.20	209,208.90	103,620.80
Environmental Protection Tax	209,534.99	299,274.36	233,912.01
Total	1,717,029.04	2,660,351.48	1,934,280.19

34. Administrative expenses

Item	Year 2021	Year 2020	Year 2019
Wages and surcharges	6,286,433.71	6,168,858.52	5,277,823.50
Office expenses	250,077.69	200,714.28	199,506.84
Business entertainment expenses	73,238.40	52,024.40	89,312.23
Depreciation	93,484.35	113,595.31	100,198.65
Union funds	963,333.35	957,383.35	1,108,874.22
Car fare	112,560.46	126,354.15	196,176.88
Amortization of intangible assets	366,000.00	366,000.00	366,000.00
Intermediary service fee	166,813.75	173,048.81	317,464.73
Travel expenses	8,416.01	9,398.61	29,111.04
Other	791,466.80	774,732.18	279,149.36
Total	9,111,824.52	8,942,109.61	7,963,617.45

35. Financial expenses

Item	Year 2021	Year 2020	Year 2019
Interest expense	12,000,000.00	22,000,050.00	
Less: Interest income	13,482,607.59	21,800,140.80	13,455,906.12
Net interest expense	-1,482,607.59	199,909.20	-13,455,906.12
Handling charges and others	22,046.06	27,842.94	17,400.39
Total	-1,460,561.53	227,752.14	-13,438,505.73

36. Other income

Item	Year 2021	Year 2020	Year 2019
Government subsidy	235,000,000.00	198,000,000.00	190,310,000.00
Total	235,000,000.00	198,000,000.00	190,310,000.00

37. Investment income

Sources of investment income	Year 2021	Year 2020	Year 2019
Long-term equity investment income	835.71	977,341.85	-179,746.23

Sources of investment income	Year 2021	Year 2020	Year 2019
accounted by equity method			
Total	835.71	977,341.85	-179,746.23

38. Credit impairment loss

Item	Year 2021	Year 2020	Year 2019
Bad debt loss of accounts receivable	271,435.28		
Bad debt loss of other receivables	1,520,061.57		
Total	1,791,496.85		

39. Impairment loss of assets

Item	Year 2021	Year 2020	Year 2019
Bad debt losses		170,346.31	-43,424.99
Total		170,346.31	-43,424.99

40. Non-operating income

Item	Year 2021	Year 2020	Year 2019
Other	4,278,172.43	850,038.44	27,600.06
Total	4,278,172.43	850,038.44	27,600.06

41. Non-operating expenses

Item	Year 2021	Year 2020	Year 2019
Loss on destruction and retirement of non-current assets	333,588.90	841,053.50	2,388,729.41
Penalty expenses		343,654.81	171,321.00
Other	1,449,470.83	366,016.79	1,104,630.00
Total	1,783,059.73	1,550,725.10	3,664,680.41

42. Income tax expense

Item	Year 2021	Year 2020	Year 2019
Current income tax expense	13,265,763.12	28,273,426.03	30,609,046.44
Deferred income tax expense	447,874.22	42,586.58	-10,856.25
Total	13,713,637.34	28,316,012.61	30,598,190.19

43. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Additional information	Year 2021	Year 2020	Year 2019
1. Reconciliation of net profit to cash flow from operating activities:			

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Additional information	Year 2021	Year 2020	Year 2019
Net profit	268,935,751.31	282,948,037.82	283,281,164.30
Plus: provision for impairment of assets	-1,791,496.85	-170,346.31	43,424.99
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	34,528,713.92	32,241,010.49	32,647,643.41
Amortization of intangible assets	366,000.00	366,000.00	240,000.00
Amortization of long-term deferred expense			
Losses from disposal of fixed assets, intangible assets and other long-term assets (gains are indicated with "-")			
Loss on retirement of fixed assets (income is indicated with "-")	1,606,817.42	841,053.50	
Loss from changes in fair value (income is indicated with "-")			
Financial expenses (income is indicated with "-")	8,989,009.75	22,000,050.00	
Investment loss (income is indicated with "-")	-835.71	-977,341.85	179,746.23
Decrease of deferred income tax assets ("-" means increase)	447,874.22	42,586.58	-10,856.25
Increase in deferred income tax liabilities ("-" means decrease)			
Decrease of inventory (increase is indicated with "-")	-3,413,225.67	2,358,296.60	3,045,847.63
Decrease of operating receivables (increase is indicated with "-")	-713,117,792.68	-1,195,865,770.05	-516,612,053.50
Increase of operating payables (decrease is indicated with "-")	63,853,450.80	1,631,325,700.21	610,232,987.13

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Additional information	Year 2021	Year 2020	Year 2019
Other			
Net cash flow from operating activities	-339,595,733.49	775,109,276.99	413,047,903.94
2. Major investment and financing activities not involving cash receipts and payments:			
Conversion of debt into capital			
Convertible corporate bonds due within one year			
Fixed assets under financing lease			
3. Net changes in cash and cash equivalents:			
Year-end balance of cash	666,857,818.42	1,078,150,607.32	496,451,618.67
Less: cash balance at the beginning of the year	1,078,150,607.32	496,451,618.67	779,183,996.07
Plus: Year-end balance of cash equivalents			
Less: balance of cash equivalents at beginning of year			
Net increase in cash and cash equivalents	-411,292,788.90	581,698,988.65	-282,732,377.40

(2) Composition of cash and cash equivalents

Item	Year 2021	Year 2020	Year 2019
I. Cash	666,857,818.42	1,078,150,607.32	496,451,618.67
Including: cash on hand	22,563.47	60,682.32	42,645.92
Bank deposits available for payment at any time	666,835,254.95	1,078,089,925.00	496,408,972.75
II. Cash equivalent			
Of which: bond investment due within three months			
III. Cash and cash equivalent balance at the end of the year	666,857,818.42	1,078,150,607.32	496,451,618.67
Of which: Restricted cash and cash	666,857,818.42	1,078,150,607.32	496,451,618.67

Item	Year 2021	Year 2020	Year 2019
equivalents used by the parent company or subsidiaries within the group			

VII. Related Parties and Related Transactions

1. Information about the company's parent company

Name of parent company	Place of registration	Nature of business	Registered capital	Shareholding percentage of the parent company in the company (%)	Proportion of voting rights of the parent company to the company (%)
Jiangsu Xishan Economic and Technological Development Co., Ltd.	Wuxi City	Real estate	1,300,000,000.00	93.27	93.27

2. Joint ventures and associated enterprises of the company

Name of joint venture or associated enterprise	Relationship with the company
Wuxi Kaifa Guarantee Investment Co., Ltd.	Joint Venture

3. Other related parties

Name of other related parties	Relationship between other related parties and the company
Wuxi Xishan Economic and Technological Development Municipal Engineering Co., Ltd.	Controlled by the same parent company
Jiangsu Dekang Property Management Co Ltd	Controlled by the same parent company
Wuxi Jinxi House Removal Co., Ltd.	Controlled by the same parent company
Wuxi Xishan Yunlin Sewage Treatment Co., Ltd.	Controlled by the same parent company
Wuxi Xishan Science and Technology Pioneer Park Co., Ltd.	Controlled by the same parent company
Wuxi Lianfu Transmission Technology Co., Ltd.	Controlled by the same parent company
Wuxi Xikai Economic Development Co., Ltd.	Controlled by the same parent company

4. Related party transactions

(1) Related transactions of purchasing and selling commodities, providing and accepting labor services

① Purchase of goods/acceptance of labor services

Wuxi Nengda Thermolectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Related parties	Contents of related party transactions	Year 2021	Year 2020	Year 2019
Wuxi Xishan Economic and Technological Development Municipal Engineering Co., Ltd.	Engineering construction	676,420.00	2,070,134.00	970,499.00

(2) Related lease

① The company as the lessor

None

② The company as Lessee

None

(3) Related party guarantee

① The company acts as the guarantor.

None

② The company as the Secured Party

Guarantor	Guaranteed Amount	Starting date of guarantee	Guarantee Expiration Date	Whether the guarantee has been fulfilled
Jiangsu Xishan Economic and Technological Development Co., Ltd.	200,000,000.00	2019.12.17	2022.11.27	No

5. Accounts receivable and payable of related parties

(1) Receivables

Item	December 31, 2021		December 31, 2020		December 31, 2019	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables:						
Wuxi Xishan Economic and Technological Development Municipal Engineering Co., Ltd.	1,346,050,300.00				1,381,787,404.00	
Total	1,346,050,300.00				1,381,787,404.00	

(2) Payables

Item	December 31, 2021	December 31, 2020	December 31, 2019
Accounts payable:			
Wuxi Xishan Economic and Technological Development	913,395.00		640,903.40

Wuxi Nengda Thermoelectric Co., Ltd.
Notes to Financial Statements from 2019 to 2021

Item	December 31, 2021	December 31, 2020	December 31, 2019
Municipal Engineering Co., Ltd.			
Total	913,395.00		640,903.40
Other payables:			
Jiangsu Xishan Economic and Technological Development Co., Ltd.	2,269,078,180.95		605,071,703.54
Jiangsu Dekang Property Management Co Ltd	66,500,000.00		
Total	2,335,578,180.95		605,071,703.54

6. Commitments of related parties

None

VIII. Commitments and Contingencies

1. Major commitments

As of December 31, 2021, the company has no material commitments that need to be disclosed.

2. Contingencies

Secured Party	Guaranteed Amount	Starting date of guarantee	Guarantee Expiration Date	Whether the guarantee has been fulfilled
Jiangsu Qingshui Environmental Protection Facilities Operation Co., Ltd.	200,000,000.00	2021-8-28	2022-8-25	Yes

IX. Events after the Balance Sheet Date

On June 15, 2022, the company invested RMB 495million yuan in Wuxi Jinkai Asset Management Co., Ltd. and acquired 60% of the its equity.

X. Other important matters

As of December 31, 2021, the company has no other important matters that need to be disclosed.

XI. Approval and issuance of financial statements

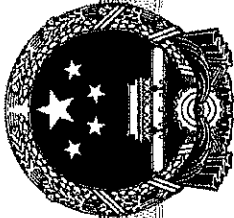
These financial statements were adopted and approved for issue by the Board of Directors on September 20, 2022.

There is no text on this page, which is a signature and seal page.

Company Name: Wuxi Nengda Thermoelectric Co., Ltd.



Date: September 20, 2022



营业执照

(副本)(4-1)

统一社会信用代码

911101050805090096



扫描二维码登录
“国家企业信用
信息公示系统”
了解更多登记、
备案、许可、监
管信息

名称 利安达会计师事务所 (特殊普通合伙)

类型 特殊普通合伙企业

执行事务合伙人 黄锦辉

经营范围

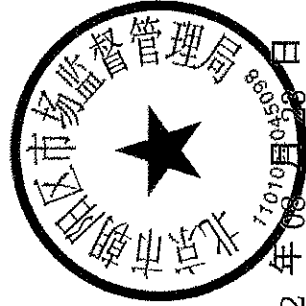
审查企业会计报表；出具审计报告；验证企业资本；出具验资报告；办理企业合并、分立、清算事宜中的审计业务；出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法规规定的其他业务。（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期 2013年10月22日

合伙期限 2013年10月22日至 长期

主要经营场所 北京市朝阳区慈云寺北里210号楼1101室

登记机关



2022年08月17日

国家企业信用信息公示系统网址：<http://www.gsxt.gov.cn>

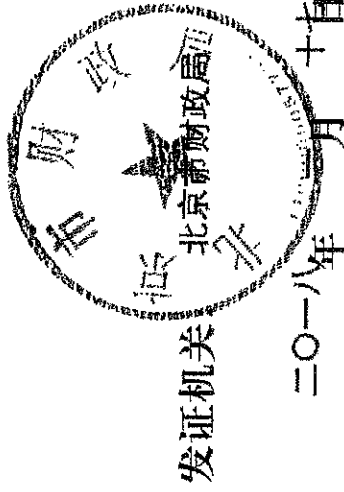
市场主体应当于每年1月1日至6月30日通过
国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

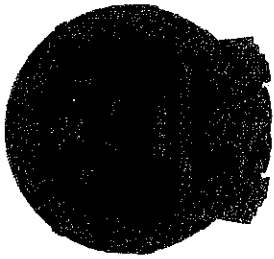
证书序号: 0000109

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



中华人民共和国财政部制



会计师事务所 执业证书

名称: 利安达会计师事务所(特殊普通合伙)

首席合伙人: 黄锦辉

主任会计师:

经营场所: 北京市朝阳区慈云寺北里210号楼1101室

组织形式: 特殊普通合伙

执业证书编号: 11000154

批准执业文号: 京财会许可[2013]0061号

批准执业日期: 2013年10月11日

待办事项

搜索菜单

事务所管理

分所管理

律师管理

涉外管理

业务报备

综合查询

办件评价

基本信息报备

证券服务业务备案

从事证券服务业务...

+ 新增 Q 搜索

搜索菜单

从事证券服务业务备案

事务所执业证书编号:

备案日期: 2020-09-01 至 2025-12-31

事务所名称:

行政区划: 北京市

备案状态: 已发布

▼

搜索

显示列

全部查看

隐藏查询条件

每页显示

20

条 共 1 条

操作

行政区划

执业证书编号

事务所名称

备案状态

是否本系统填报

操作

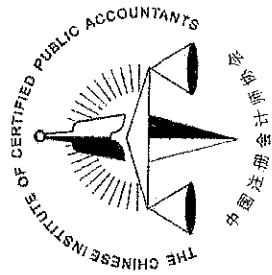
北京市

11000154

利安达会计师事务所(特殊普通合伙)

已发布

是



姓名	洪一五
性别	男
出生日期	1969-06-02
工作单位	北京兴华会计师事务所(特殊普通)
身份证号码	342622196906020197



年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewl.

证书编号: 341300190015
No. of Certificate

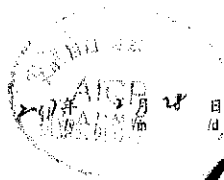
批准注册协会: 安徽省注册会计师协会
Authorized Institute of CPAs

发证日期: 2005-07-06 日
Date of Issuance /y /m /d

2016年2月28日
/y /m /d

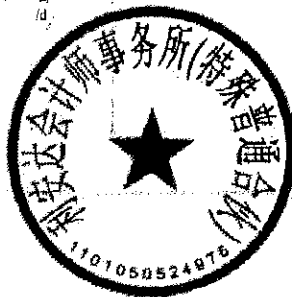
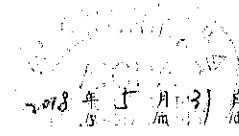
年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.



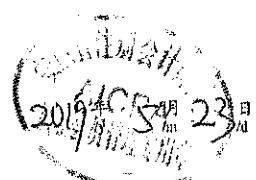
年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.



年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.



年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.

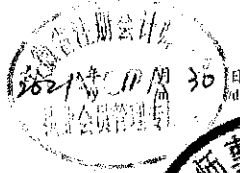


年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after
this renewal.



年 月 日
/ /

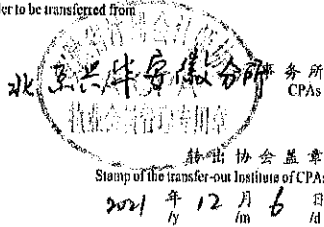
10

11

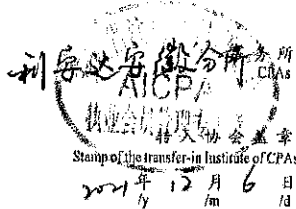


注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from



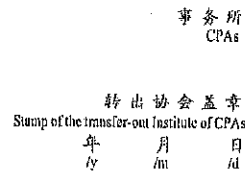
同意调入
Agree the holder to be transferred to



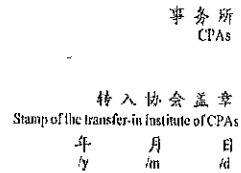
12

注册会计师工作单位变更事项登记
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from



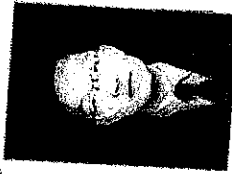
同意调入
Agree the holder to be transferred to



13



姓名	刘磊
Sex	男
出生日期	1985-01-15
工作单位	北京兴华会计师事务所 (特殊普通合伙)安徽分所
身份证号	342224198501151017



年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

证书编号: 114000100195
No. of Certificate

批准注册协会: 安徽省注册会计师协会
Authorized Institute of CPAs

发证日期: 2015 年 09 月 26 日
Date of Issuance

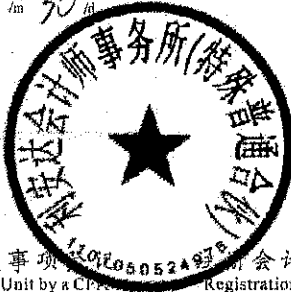


年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



年 月 日
/ /

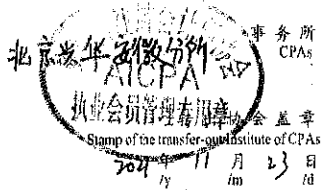
6

7

注册会计师工作单位变更事项
Registration of the Change of Working Unit by a CPA

同意调出
Agree the holder to be transferred from

同意调出
Agree the holder to be transferred from



事务所
CPAs
转出协会盖章
Stamp of the transfer-out Institute of CPAs
年 月 日
/ /

同意调入
Agree the holder to be transferred to

同意调入
Agree the holder to be transferred to



事务所
CPAs
转入协会盖章
Stamp of the transfer-in Institute of CPAs
年 月 日
/ /

12

13

APPENDIX A
FORM OF IRREVOCABLE STANDBY LETTER OF CREDIT

FM: BANK OF SHANGHAI CO., LTD, NANJING BRANCH (SWIFT: BOSHCNSHNJA)

ADDRESS: 1/F PEACE MANSION, NO.22 EAST BEIJING ROAD, XUANWU DISTRICT, NANJING CITY, JIANGSU PROVINCE, P.R. CHINA

DATE: 16 DECEMBER 2022

TO BENEFICIARY: BANK OF COMMUNICATIONS TRUSTEE LIMITED OF 1/F., FAR EAST CONSORTIUM BLDG., 121 DES VOEUX ROAD CENTRAL, HONG KONG (FACSIMILE NUMBER: +852 2854 0880) (“**YOU**” OR THE “**BENEFICIARY**”) IN ITS CAPACITY AS TRUSTEE (THE “**TRUSTEE**”, WHICH EXPRESSION SHALL INCLUDE ANY SUCCESSOR OR CO-TRUSTEE) FOR ITSELF AND ON BEHALF OF THE HOLDERS (THE “**BONDHOLDERS**”) OF THE RMB750,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 4.2 PER CENT. CREDIT ENHANCED GUARANTEED BONDS DUE 2025 (THE “**BONDS**”) (CCDC CODE: G228084), TO BE ISSUED BY HONGKONG YUNLIN INTERNATIONAL CO., LIMITED (THE “**ISSUER**”) AND TO BE GUARANTEED BY WUXI NENGDA THERMOELECTRIC CO., LTD. (THE “**GUARANTOR**”), AND TO BE CONSTITUTED BY A TRUST DEED DATED 16 DECEMBER 2022 (THE “**ISSUE DATE**”) BETWEEN THE ISSUER, THE GUARANTOR AND THE TRUSTEE (AS FURTHER AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE “**TRUST DEED**”).

DEAR SIRs,

RE: OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]*

AT THE REQUEST OF THE ISSUER, WE, BANK OF SHANGHAI CO., LTD, NANJING BRANCH (THE “**ISSUING BANK**”, “**OUR**”, “**US**” OR “**WE**”), HEREBY ISSUE OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. *[NUMBER]* IN YOUR FAVOUR, AND FOR THE ACCOUNT OF THE ISSUER IN RESPECT OF AND IN CONNECTION WITH (1) THE TERMS AND CONDITIONS OF THE BONDS APPENDED TO THE TRUST DEED (THE “**CONDITIONS**”) AND (2) THE TRUST DEED. THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS MADE AVAILABLE BY US FOR PAYMENT AGAINST OUR RECEIPT OF A DEMAND SUBSTANTIALLY IN THE FORM SET OUT IN APPENDIX A-1 (A “**DEMAND**”) PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT STATING THAT (A) THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 1(E) OF THE CONDITIONS IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH CONDITION 1(E) OF THE CONDITIONS OR (B) AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 8 OF THE CONDITIONS) HAS OCCURRED AND THE TRUSTEE, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 8 OF THE BONDS.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE UNCONDITIONALLY AND IRREVOCABLY UNDERTAKE TO YOU THAT, ON OR AFTER THE ISSUE DATE AND FOLLOWING RECEIPT BY US OF A DEMAND BY 5:30 P.M. (HONG KONG TIME) PRESENTED BY YOU OR ON YOUR BEHALF, IN RELATION TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT ON A BUSINESS DAY, WE SHALL BY 10:00 A.M. (HONG KONG TIME) ON THE FOURTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND (OR, IF A DEMAND IS RECEIVED AFTER 5:30 P.M. (HONG KONG TIME) ON A BUSINESS DAY, BY 10:00 A.M. (HONG KONG TIME) ON THE FIFTH BUSINESS DAY AFTER THE BUSINESS DAY ON WHICH WE RECEIVE SUCH DEMAND) PAY TO, OR TO THE ORDER OF, THE

BENEFICIARY THE AMOUNT IN RENMINBI SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS IN ACCORDANCE WITH THE INSTRUCTIONS SPECIFIED IN THE DEMAND. “**BUSINESS DAY**” MEANS A DAY (OTHER THAN A SATURDAY, A SUNDAY OR A PUBLIC HOLIDAY, ON WHICH BANKS ARE OPEN FOR BUSINESS IN HONG KONG AND BEIJING.

SUBJECT TO THE TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, OUR OBLIGATION TO PAY YOU IS UNCONDITIONAL AND ABSOLUTE AND ANY DEMAND BY YOU UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE HONOURED WITHOUT ANY FURTHER ENQUIRY AS TO YOUR RIGHTS TO MAKE SUCH DEMAND.

OUR AGGREGATE LIABILITY UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE EXPRESSED AND PAYABLE IN RENMINBI AND SHALL NOT IN ANY CIRCUMSTANCES EXCEED RMB772,710,000 (THE “**MAXIMUM LIMIT**”), WHICH INCLUDES AN AMOUNT REPRESENTING ONLY (I) THE AGGREGATE PRINCIPAL AMOUNT OF RMB750,000,000 OF THE BONDS PLUS INTEREST PAYABLE FOR ONE INTEREST PERIOD (BEING SIX MONTHS) IN ACCORDANCE WITH THE CONDITIONS PLUS (II) RMB6,960,000 BEING THE MAXIMUM AMOUNT PAYABLE UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT FOR ANY FEES, COSTS, EXPENSES, INDEMNITY PAYMENTS AND ALL OTHER AMOUNTS PAYABLE BY THE ISSUER UNDER OR IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE GUARANTEE, THE AGENCY AGREEMENT (EACH AS DEFINED IN THE CONDITIONS) AND/OR ANY OTHER TRANSACTION DOCUMENT RELATING TO THE BONDS.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT TAKES EFFECT FROM THE DATE HEREOF AND SHALL REMAIN VALID AND IN FULL FORCE UNTIL 5:30 P.M. (HONG KONG TIME) ON 16 JANUARY 2026 (THE “**EXPIRY DATE**”) AND SHALL EXPIRE AT THE COUNTERS OF THE ISSUING BANK. AFTER 5:30 P.M. (HONG KONG TIME) ON THE EXPIRY DATE, THIS IRREVOCABLE STANDBY LETTER OF CREDIT WILL BECOME NULL AND VOID UPON EXPIRY WHETHER THE ORIGINAL STANDBY LETTER OF CREDIT HAS BEEN RETURNED TO US OR NOT.

PAYMENT WILL BE EFFECTED AFTER OUR RECEIPT OF A DEMAND PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WHICH IS PRESENTED DURING THE PERIOD ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 5:30 P.M. (HONG KONG TIME) ON THE EXPIRY DATE.

ANY DEMAND UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS TO BE PRESENTED TO US BY WAY OF AN AUTHENTICATED SWIFT PRESENTED BY OR ON BEHALF OF THE TRUSTEE TO US (SWIFT: BOSHCHNSHNJA) WITHOUT THE NEED TO PHYSICALLY PRESENT AN ORIGINAL OF THAT DEMAND AT OUR COUNTER; PROVIDED THAT IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON, THE TRUSTEE (FACSIMILE NUMBER: +852 2854 0880) MAY INSTEAD PRESENT A DEMAND TO US VIA FACSIMILE TRANSMISSION AT +862586896777 DURING OUR NORMAL BRANCH OPENING HOURS ON OR AFTER THE ISSUE DATE AND ON OR BEFORE 5:30 P.M. (HONG KONG TIME) ON THE EXPIRY DATE. NEITHER THE ORIGINAL OF THE DEMAND SO PRESENTED NOR OF ANY OTHER DOCUMENTATION SHALL BE REQUIRED TO BE PHYSICALLY PRESENTED. IN RELATION TO THE DELIVERY OF A FACSIMILE DEMAND FROM THE BENEFICIARY PURSUANT TO THIS IRREVOCABLE STANDBY LETTER OF CREDIT, IT WILL BE ACCOMPANIED BY AN E-MAIL FROM THE TRUSTEE (VIA CUSTODIAN_ADMIN@BANKCOMM.COM.HK) WHICH SETS OUT A LIST OF AUTHORISED SIGNATORIES OF THE TRUSTEE AND THEIR SPECIMEN SIGNATURES AND WE WILL PERFORM A CALLBACK CONFIRMATION WITH THE TRUSTEE (VIA TELEPHONE NUMBER:+852 2905 8742 OR +852 2905 8513 OR OTHER TELEPHONE NUMBER AS INFORMED BY EMAIL FROM THE TRUSTEE VIA CUSTODIAN_ADMIN@BANKCOMM.COM.HK).

ONLY ONE DRAWING UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS PERMITTED.

ALL CHARGES ARE FOR THE ACCOUNT OF THE ISSUER AND, FOR THE AVOIDANCE OF DOUBT, ARE NOT FOR THE ACCOUNT OF THE TRUSTEE.

SHOULD ANY DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE BE REQUIRED, NOTWITHSTANDING THE MAXIMUM LIMIT, ALL PAYMENTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE MADE IN RENMINBI AND FOR VALUE ON THE DATE SPECIFIED IN THE DEMAND IN IMMEDIATELY AVAILABLE FUNDS WITHOUT ANY SUCH DEDUCTION OR WITHHOLDING ON ACCOUNT OF TAX, SET-OFF OR OTHERWISE. IN THE EVENT THAT ANY DEDUCTION OR WITHHOLDING IS REQUIRED BY LAW, THE ISSUING BANK SHALL PAY SUCH ADDITIONAL AMOUNTS AS WILL RESULT IN RECEIPT BY THE TRUSTEE OF SUCH AMOUNTS AS WOULD HAVE BEEN RECEIVED BY IT HAD NO SUCH DEDUCTION OR WITHHOLDING BEEN REQUIRED.

THE TRUSTEE'S RIGHTS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT MAY BE TRANSFERRED OR RE-TRANSFERRED IN WHOLE OR IN PART TO ANY ADDITIONAL OR REPLACEMENT TRUSTEE APPOINTED IN RESPECT OF THE BONDS IN ACCORDANCE WITH THE TRUST DEED SUBJECT ONLY TO AT LEAST 15 DAYS' NOTICE HAVING BEEN GIVEN TO US BY THE TRUSTEE BY AUTHENTICATED SWIFT TO TRANSFER THIS IRREVOCABLE STANDBY LETTER OF CREDIT TO SUCH ADDITIONAL OR REPLACEMENT TRUSTEE, OR IN THE EVENT THAT THE SWIFT SYSTEM IS NOT AVAILABLE FOR ANY REASON VIA FACSIMILE TRANSMISSION TO US AT +862586896777. WE SHALL, ACTING REASONABLY, EFFECT THE TRANSFER.

WE MAY NOT TRANSFER OR NOVATE ANY OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT.

NOTWITHSTANDING THE FOREGOING PROVISIONS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, INCLUDING WITHOUT LIMITATION ARTICLE 29 AND ARTICLE 36 OF UCP600 (AS DEFINED BELOW), IN THE UNEXPECTED EVENT THAT WE ARE CLOSED FOR ANY REASON, INCLUDING WITHOUT LIMITATION THE COVID-19 PANDEMIC, OR SWIFT IS UNAVAILABLE WHEN THE TRUSTEE WISHES TO PRESENT A DEMAND HEREUNDER ON THE DAY AND AT THE TIME A DEMAND IS ABLE TO BE PRESENTED IN ACCORDANCE WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT, WE AGREE THAT THE TRUSTEE CAN PRESENT THE DEMAND BY AUTHENTICATED SWIFT OR VIA FACSIMILE TRANSMISSION TO US AT +862586896777 FROM THE DATE ON WHICH WE NOTIFY YOU OF OUR RESUMPTION OF OUR BUSINESS OR, IN THE CASE OF UNAVAILABILITY OF SWIFT, THE DATE ON WHICH SWIFT BECOMES AVAILABLE; PROVIDED THAT IF WE ARE CLOSED ON THE EXPIRY DATE FOR ANY REASON, INCLUDING WITHOUT LIMITATION THE COVID-19 PANDEMIC, THE EXPIRY DATE SHALL BE AUTOMATICALLY EXTENDED BY, AND SUCH PRESENTATION SHALL BE MADE WITHIN FIVE BUSINESS DAYS AFTER THE DATE ON WHICH WE NOTIFY YOU OF THE RESUMPTION OF OUR BUSINESS.

ANY SETTLEMENT OR DISCHARGE OF OUR OBLIGATIONS UNDER THIS IRREVOCABLE STANDBY LETTER OF CREDIT SHALL BE CONDITIONAL UPON PAYMENT TO THE TRUSTEE OR TO THE HOLDERS OF THE BONDS BY THE ISSUER, THE GUARANTOR OR ANY OTHER PERSON ON BEHALF OF THE ISSUER NOT BEING AVOIDED (BY VIRTUE OF ANY LAWS RELATING TO BANKRUPTCY, INSOLVENCY, LIQUIDATION OR SIMILAR LAWS OF GENERAL APPLICATION FOR THE TIME BEING IN FORCE). IN THE EVENT OF ANY SUCH PAYMENT BEING SO AVOIDED, THE TRUSTEE SHALL, BE ENTITLED TO RECOVER THE AMOUNT BY WHICH SUCH PAYMENT IS SO AVOIDED FROM US SUBSEQUENTLY AS IF SUCH SETTLEMENT OR DISCHARGE HAD NOT OCCURRED.

EXCEPT TO THE EXTENT IT IS INCONSISTENT WITH THE EXPRESS TERMS OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT, THIS IRREVOCABLE STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 600 (“UCP600”).

WE HAVE IRREVOCABLY APPOINTED BOSC INTERNATIONAL COMPANY LIMITED AT 34/F, CHAMPION TOWER, 3 GARDEN ROAD, CENTRAL, HONG KONG AS OUR PROCESS AGENT IN HONG KONG TO RECEIVE SERVICE OF PROCESS IN ANY LEGAL ACTION OR PROCEEDINGS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT IN HONG KONG. IF FOR ANY REASON WE CEASE TO HAVE SUCH A PROCESS AGENT IN HONG KONG, WE WILL PROMPTLY APPOINT A SUBSTITUTE PROCESS AGENT AND NOTIFY THE BENEFICIARY OF SUCH APPOINTMENT WITHIN 30 DAYS OF SUCH CESSATION. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

THIS IRREVOCABLE STANDBY LETTER OF CREDIT, AND ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH IT, SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED IN ACCORDANCE WITH, ENGLISH LAW. THE COURTS OF HONG KONG SHALL HAVE EXCLUSIVE JURISDICTION TO SETTLE ANY DISPUTE ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT (INCLUDING ANY NON-CONTRACTUAL OBLIGATIONS ARISING OUT OF OR IN CONNECTION WITH THIS IRREVOCABLE STANDBY LETTER OF CREDIT).

THIS CABLE IS AN OPERATIVE INSTRUMENT AND NO MAIL CONFIRMATION WILL FOLLOW.

APPENDIX A-1 – FORM OF DEMAND

TO: BANK OF SHANGHAI CO., LTD, NANJING BRANCH (SWIFT: BOSH CNSHNJA)

1/F PEACE MANSION, NO.22 EAST BEIJING ROAD, XUANWU DISTRICT, NANJING CITY,
JIANGSU PROVINCE, P.R. CHINA

FIELD 20: OUR REF
FIELD 21: SBLC NO
FIELD 79: NARRATIVE

RE: DEMAND UNDER THE IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] IN RESPECT OF (1) THE TERMS AND CONDITIONS (THE “CONDITIONS”) OF THE RMB750,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF 4.2 PER CENT. CREDIT ENHANCED GUARANTEED BONDS DUE 2025 (THE “BONDS”), SUCH CONDITIONS BEING APPENDED TO THE TRUST DEED DATED 16 DECEMBER 2022 BETWEEN HONGKONG YUNLIN INTERNATIONAL CO., LIMITED (THE “ISSUER”), WUXI NENGDA THERMOELECTRIC CO., LTD. (THE “GUARANTOR”) AND BANK OF COMMUNICATIONS TRUSTEE LIMITED (THE “TRUSTEE”) (AS FURTHER AMENDED OR SUPPLEMENTED FROM TIME TO TIME, THE “TRUST DEED”) AND (2) THE TRUST DEED.

THIS DEMAND IS MADE ON BEHALF OF BANK OF COMMUNICATIONS TRUSTEE LIMITED AS TRUSTEE FOR ITSELF AND ON BEHALF OF THE BONDHOLDERS UNDER YOUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. [NUMBER] (THE “IRREVOCABLE STANDBY LETTER OF CREDIT”). TERMS USED HEREIN WHICH ARE NOT DEFINED SHALL HAVE THE MEANINGS GIVEN TO THEM IN THE IRREVOCABLE STANDBY LETTER OF CREDIT.

1 THIS DEMAND IS MADE IN CONNECTION WITH THE FOLLOWING:

[DELETE INAPPROPRIATE PARAGRAPHS TO SHOW REASON FOR THE DEMAND]

- THE ISSUER HAS FAILED TO COMPLY WITH CONDITION 1(E) OF THE CONDITIONS IN RELATION TO PRE-FUNDING THE AMOUNT THAT IS REQUIRED TO BE PRE-FUNDED UNDER THE CONDITIONS AND/OR HAS FAILED TO PROVIDE THE REQUIRED CONFIRMATIONS (AS DEFINED IN THE CONDITIONS) IN ACCORDANCE WITH CONDITION 1(E) OF THE BONDS.
- AN EVENT OF DEFAULT (AS DEFINED IN CONDITION 8 OF THE BONDS) HAS OCCURRED AND THE TRUSTEE, HAS GIVEN NOTICE TO THE ISSUER THAT THE BONDS ARE IMMEDIATELY DUE AND PAYABLE IN ACCORDANCE WITH CONDITION 8 OF THE BONDS.

2 WE HEREBY DEMAND YOU TO PAY RMB [AMOUNT] REPRESENTING:

- INTEREST AND/OR PRINCIPAL DUE IN RESPECT OF THE BONDS AND/OR UNPAID FEES, EXPENSES AND OTHER AMOUNTS PAYABLE TO THE TRUSTEE IN CONNECTION WITH THE BONDS, THE TRUST DEED, THE GUARANTEE (AS DEFINED IN THE CONDITIONS) AND THE AGENCY AGREEMENT (AS DEFINED IN THE CONDITIONS).

3 WE HEREBY REQUEST YOU TO PAY THE ABOVE AMOUNTS (IN AGGREGATE RMB [AMOUNT]) AFTER YOU RECEIVE THIS DEMAND IN ACCORDANCE WITH THE IRREVOCABLE STANDBY LETTER OF CREDIT.

4 THE PROCEEDS OF THE DRAWING UNDER THIS DEMAND ARE TO BE CREDITED TO THE FOLLOWING ACCOUNT:

[INSERT ACCOUNT DETAILS]

For and on behalf of
Bank of Communications Trustee Limited as Beneficiary

BY: _____

NAME: _____

TITLE: _____

ISSUER

Hongkong Yunlin International Co., Limited
(香港雲林國際有限公司)
Unit 7, 17/F., The Galaxy
No. 313 Castle Peak Road
Kwai Chung, New Territories
Hong Kong

TRUSTEE

Bank of Communications Trustee Limited
1/F, Far East Consortium Building
121 Des Voeux Road
Central, Hong Kong

COMPANY

Wuxi Nengda Thermolectric Co., Ltd.
(無錫能達熱電有限公司)
No. 1 Chunyang Road
Xishan Economic and Technological
Development Zone, Wuxi City, Jiangsu Province
PRC

**PRINCIPAL PAYING AGENT,
REGISTRAR AND TRANSFER AGENT**

**Bank of Communications Co., Ltd.
Hong Kong Branch**
16/F, COS Center, 56 Tsun Yip Street
Kwun Tong, Hong Kong

**LC PROCEEDS ACCOUNT BANK AND
PRE-FUNDING ACCOUNT BANK**

Bank of Communications (Hong Kong) Limited
20 Pedder Street
Central, Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong and English law

Paul Hastings (Europe) LLP
Ten Bishops Square
Eighth Floor
London E1 6EG
United Kingdom

As to PRC law

Jiangsu Manxiu Law Firm
22/F, Yan Chuang Building
No. 1, Yinbai Road, Binhu District
Wuxi City, Jiangsu Province
PRC

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to Hong Kong and English law

K&L Gates
44/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law

Lexiance Partners
12th Floor, 800 Yinxiu Road
Wuxi City 214072, Jiangsu Province
PRC

LEGAL ADVISERS TO THE TRUSTEE

As to Hong Kong and English law

Jun He Law Offices
Suite 3701-10, 37/F
Jardine House 1 Connaught Place
Central, Hong Kong

AUDITORS OF THE COMPANY

Reanda Certified Public Accountants LLP (Special General Partnership)
12/F, Building E, Sino-Ocean International (2nd Phase)
No. 210, Ciyunsi Beili, Chaoyang District
Beijing, 100025, PRC