If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

四川能投發展股份有限公司
Sichuan Energy Investment Development Co., Ltd.*

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**268,800,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**26,880,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**241,920,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$2.34 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**1713**

Sole Sponsor and Sole Global Coordinator

交銀國際 BOCOM International

Joint Bookrunners and Joint Lead Managers

交銀國際 BOCOM International
首控證券 FIRST CAPITAL SECURITIES LIMITED
海通國際 HAITONG
建银国际 CCB International
農銀國際 ABC INTERNATIONAL
國泰君安國際 GUOTAI JUNAN INTERNATIONAL

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong. The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, December 18, 2018 (Hong Kong time) and, in any event, not later than Thursday, December 20, 2018 (Hong Kong time). The Offer Price will be not more than HK$2.34 and is currently expected to be not less than HK$1.76 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, December 20, 2018 (Hong Kong time) between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK$2.34 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$2.34.

The Sole Global Coordinator, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$1.76 to HK$2.34) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.scntgf.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, sold outside the United States in accordance with Rule 903 or Rule 904 of Regulation S.

* *For identification purposes only*

December 13, 2018

	Date[1]
	2018
Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2]	11:30 a.m. on Tuesday, December 18
Application lists open[3]	11:45 a.m. on Tuesday, December 18
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, December 18
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, December 18
Latest time to complete payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, December 18
Application lists close	12:00 noon on Tuesday, December 18
Expected Price Determination Date	Tuesday, December 18

Announcement of:

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Offer Shares

will be published on our website at **www.scntgf.com**[5] and the website of Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk**[6] on or before	Thursday, December 27

2018

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus from . . . . Thursday, December 27

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function . . . . Thursday, December 27

H Share certificates in respect of wholly or partially successful applications will be dispatched or deposited into CCASS on or before[7] . . . . Thursday, December 27

Refund cheques (if applicable) will be dispatched on or before[7 and 9] . . . . Thursday, December 27

HK eIPO White Form e-Auto Refund Payment Instructions will be dispatched on or before[7, 8 and 9] . . . . Thursday, December 27

Dealings in H Shares on the Stock Exchange to commence at 9:00 a.m. on . . . . Friday, December 28

(1) All dates and times refer to Hong Kong dates and local time unless otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus. If there is any change in the above expected timetable, we will issue a separate announcement in Hong Kong to be published on our website at **www.scntgf.com** and the website of Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk**.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 18, 2018, the application lists will not open on that day. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 27, 2018. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

(8) Applicants who apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, may have e-Auto Refund payment instructions (if any) dispatched to their application payment bank account. Applicants who apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, may have refund cheques sent to the address specified in their application instructions to the designated **HK eIPO White Form** Service Provider by ordinary post and at their own risk.

(9) e-Auto Refund Payment Instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Friday, December 28, 2018. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at www.scntgf.com, does not form part of this prospectus.

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. We have a stable user base and a comprehensive network of power supply in Yibin City, which allows us to optimize the balance usage of power resources within our power supply network through efficient allocation of electricity. Our business consists of (i) power business, which includes power generation and power supply; and (ii) EECS business, which consists of electrical engineering construction service and sales of electric equipment and materials.

We are the only authorized regional power supplier in the designated statutory area that covers parts of the Seven Counties and Districts and certain of the surrounding areas, which we hereinafter refer to as "our power supply service area." The following table sets forth the counties and districts that comprise our power supply service area based on the power supply business licenses held by us and our subsidiaries as of the Latest Practicable Date.

Holder of Power Supply Business License	Power Supply Area[(1)]
Our Company	Includes the administrative area of Pingshan County; and parts of Yibin County[(2)], Xingwen County, Gong County, Gao County and Junlian County
Yibin Electricity	Includes Yongxing Town, Baihua Town, Wangchang Village, Liujia Town, Guanyin Town, Longxing Village, Gubai Village, Nixi Town, Ninan Village, Juexi Town, Longchi Town, Gaochang Town, Lichang Town, Shangzhou Town, Fulong Town, Shuanglong Town, Fengyi Village, Xijie Town in Yibin City; all of Fuquan Town in Yantan District of Zigong City, Sichuan Province, and parts of Shuangyi Town, Heshi Town, Kongtan Town, Guluo Town, Baixi Town in Zigong City; parts of Qiuchang Village and Jincheng Village in Cuiping District, Yibin City; and parts of the administrative areas of Lianhua Village and Niuwei Village, Rong County, Zigong City
Xingwen Electricity	Includes the administrative area of Xingwen County, except for South Sichuan Pyrite, Zhoujia Village Sulphuric Acid Plant, Xinhua Sulfur Plant, Yuping Cement Factory, Tianquan Cement Factory, Xingwen Phosphate Fertilizer Factory and Wuxing Village
Pingshan Electricity	Includes the administrative area of Pingshan County[(3)]

Holder of Power Supply Business License	Power Supply Area(1)
Gong County Electricity	Includes the administrative area of Gong County, except for Fu Rong Mining Bureau, Shuangsan Cement Factory, Gong County Ammonium Phosphate Plant, Gong County Fertilizer Plant, Gong County Shuangshibao Cement Plant, Xinfeng Chemical Plant, Gong County Phosphate Fertilizer Plant and Southern Sichuan Prison
Gao County Electricity	Includes the administrative area of Gao County, except for parts of Shengtian Town
Junlian Electricity	Includes the administrative area of Junlian County, except for Junlian County Xunsi Town Furong Group Luban Mountain North and South Coal Mine Production Area

Notes:

(1) The power supply area of our Company and each of our above-mentioned subsidiaries represents the power supply area as specified in the relevant power supply business licenses. As stipulated in each of the power supply business license, in the event the power supply service area sets forth in the relevant power supply business licenses crosses into the surrounding power supply areas of another enterprise, the exact boundary of the power supply service area shall be determined based solely on the "agreement on the boundary demarcation of power supply areas" (供電營業區邊界劃分協議) entered into by both parties.

(2) On July 23, 2018, the State Council approved an administrative division adjustment plan by Yibin City, Sichuan Province, to abolish Yibin County, and designated certain areas of such county to Xuzhou District (敘州區) in Yibin City, and the remaining areas of such county to Cuiping District (翠屏區) in Yibin City and such towns originally within Yibin County were separately divided into the administration of Xuzhou District and Cuiping District. As advised by our PRC Legal Advisors, such administrative division adjustment plan as approved by the State Council did not alter or amend our power supply service area but only re-divided those towns within our supply service area in Yibin County into Xuzhou District or Cuiping District.

(3) Excludes a small area within Pingshan County whose electricity is supplied by an Independent Third Party, Sichuan Jiuhe Power Co., Ltd.* (四川九河電力股份有限公司), which was incorporated before the promulgation of the Electric Power Law. Due to the historical reason(s), if an enterprise has been conducting power supply operations in an administrative area before the promulgation of the Electric Power Law, there may be one or more power supply companies in such administrative area. To the best knowledge of the Directors, Sichuan Jiuhe Power Co., Ltd. does not own a full power supply value chain covering power generation, electricity distribution and sales as our Group does and cannot engage in scaled operation. In addition, to the best knowledge of the Directors and based on the business scope of Sichuan Jiuhe Power Co., Ltd., its business operation is limited to (i) the supply of power to three industrial enterprises specifically located in Pingshan County just to continue their historical operations, where one of the three industrial enterprises had already ceased conducting its business as of the Latest Practicable Date; and (ii) providing wholesale of electricity to our Group. As advised by our PRC Legal Advisors, since the promulgation of the Electric Power Law, there shall be only one power-supply enterprise in each electricity service area, in which other entities cannot apply for power supply business licenses in the electricity service areas if a power-supply enterprise has already obtained a power supply business license. Accordingly, other entities cannot supply electricity in the Seven Counties and Districts and the surrounding areas where we and our six subsidiaries have been authorized by the relevant authorities with exclusive right to supply electricity.

We sell electricity to users through our power grid within our power supply service area. We primarily generate electricity from hydropower plants owned and operated by our subsidiaries. The following chart sets forth our main production facilities, including our hydropower plants, transformer substations and transmission and distribution lines, in the areas where we operate our business as of June 30, 2018.

Subsidiaries	Location	Hydropower Plants		Transformer Substations						Transmission and Distribution Lines		
				220 kV		110 kV		35 kV		110 kV	35 kV	10 kV
		Number	Installed Capacity (kW)	Number	Capacity (kVA)	Number	Capacity (kVA)	Number	Capacity (kVA)	Length (km)	Length (km)	Length (km)
Yibin Electricity	Yibin County	8[(1)]	2,075[(1)]	–	–	4	204,500	9	65,050	194	169	2,086
Xingwen Electricity	Xingwen County	9	3,445	–	–	3	151,500	9	104,700	68	248	347
Pingshan Electricity	Pingshan County	6	13,670	–	–	4	111,000	7	36,600	96	131	2,760
Gong County Electricity	Gong County	3	6,920	1	180,000	2	120,000	10	72,500	42	126	1,182
Gao County Electricity	Gao County	7	46,570	–	–	3	140,000	10	103,200	80	164	1,303
Yuejiang Power Generation	Gao County	1	12,000	–	–	–	–	–	–	–	–	–
Yangliutan Power Generation	Shuifu County	1	54,000	–	–	1	75,000	–	–	15	–	–
Junlian Electricity	Junlian County	–	–	–	–	2	120,000	14	118,800	35	162	1,430
Total		35	138,680	1	180,000	19	922,000	59	500,850	530	1,000	9,108

Note:

(1) Yibin Electricity had 10 hydropower plants with an installed capacity of 4,375 kW as of June 30, 2017. However, according to the notices issued by the relevant PRC government authorities to promote the activities of the nature reserve development and construction, subject to the approval of the Board, we are obligated to completely dismantle the power generation facilities and equipment of two of our hydropower plants located in the designated nature reserves as stipulated in the relevant notices, which were owned and operated by Yibin Electricity, by September 30, 2018. These hydropower plants consisted of a total of five power generating units with an aggregate installed capacity of 2,300 kW. Accordingly, we have suspended the operations of these two hydropower plants as of July 30, 2017. We subsequently conducted assets appraisal relating to such hydropower plants, which was completed in December 2017. On September 26, 2018, our Board passed a resolution to authorize Yibin Electricity to negotiate with the local government of Yibin City regarding compensation for the dismantling of such hydropower plants and proceed to dismantle such hydropower plants in accordance with the requirements of the local government. Subsequently, Yibin Electricity entered into separate one-off compensation agreements with the local government in Yibin County on September 27, 2018, according to which, we are entitled to a compensation of RMB10.3 million and RMB2.6 million for each of the hydropower plants, respectively. This compensation will be paid by the government of Yibin County to Yibin Electricity after the dismantling of the relevant assets. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, these two hydropower plants contributed RMB1.6 million, RMB1.6 million, RMB0.5 million and nil, respectively, to our gross profit for these periods.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our total revenue was RMB1,614.6 million, RMB1,691.7 million, RMB1,853.2 million, RMB836.3 million and RMB970.6 million, respectively. Our profit for the year/period was RMB104.9 million, RMB117.8 million, RMB124.9 million, RMB65.4 million and RMB95.3 million, respectively. The following table sets forth a breakdown of our revenue and gross profit margin by category of business for the periods indicated.

	For the years ended December 31,									For the six months ended June 30,					
	2015			2016			2017			2017			2018		
	RMB'000	%	GPM (%)	RMB'000	%	GPM (%)	RMB'000	%	GPM (%)	RMB'000	%	GPM (%)	RMB'000	%	GPM (%)
										(Unaudited)					
Power business	1,439,906	89.2	19.8	1,456,378	86.1	19.8	1,542,311	83.2	18.8	729,100	87.2	16.8	846,919	87.3	19.4
EECS business(1)	174,696	10.8	26.0	235,297	13.9	16.7	310,932	16.8	10.2	107,220	12.8	13.3	123,637	12.7	20.4
Total	1,614,602	100.0	20.5	1,691,675	100.0	19.4	1,853,243	100.0	17.4	836,320	100.0	16.3	970,556	100.0	19.5

Note:

(1) Includes revenue from the sales of electric equipment and materials of RMB4.0 million, RMB2.6 million, RMB7.1 million, RMB3.2 million and RMB2.3 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

The revenue from our power business increased by RMB16.5 million from 2015 to 2016 mainly due to increased demand of electricity from our household and general industrial and commercial customers. It further increased by RMB85.9 million from 2016 to 2017 primarily due to increased demand of electricity from our household, general industrial and commercial, as well as large industrial customers. The revenue from our power business increased by RMB117.8 million from the six months ended June 30, 2017 to the six months ended June 30, 2018 primarily due to (i) an increase in the number of our household, general commercial and industrial, and large industrial customers by more than 24,000, more than 3,300 and approximately 40, respectively, in the first six months of 2018 compared to the same period in 2017; and (ii) an increase in the amount of electricity sales to our household, general commercial and industrial and large industrial customers by 43,618 MWh, 37,656 MWh and 97,655 MWh, respectively, for the six months ended June 30, 2018 compared to the same period in 2017, which was mainly attributable to the increase in the number of our household, general commercial and industrial, and large industrial customers.

The revenue from our EECS business increased by RMB60.6 million from 2015 to 2016 mainly because we were awarded certain large-scale construction work involving rural power grid assets in 2016, which we obtained through the tender procedures as required by the relevant PRC regulations. It further increased by RMB75.6 million from 2016 to 2017 primarily due to more EECS income being recognized as a result of increased EECS activities stemming from our continued consolidation of our EECS business resources in 2017, as well as the increase in EECS income recognized for large-scale construction works relating to the rural power grid assets that were awarded to us in 2016 and 2017. The revenue from our EECS business increased by RMB16.4 million from June 30, 2017 to June 30 2018, mainly due to more large-scale EECS projects we undertook, and increased number of construction projects awarded to us due to our continued consolidation of our EECS business resources starting in 2017.

The following table sets forth a breakdown of the components of our cost of sales for the periods indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Power business										
Cost of purchase of electricity	693,806	54.1	674,584	49.5	755,500	49.4	375,368	53.7	457,987	58.7
Cost of power generation	81,556	6.3	85,777	6.3	84,589	5.5	41,753	6.0	39,061	5.0
Staff and labor costs	29,255	2.3	32,310	2.4	32,133	2.1	16,047	2.3	14,789	1.9
Depreciation and amortization	36,464	2.8	37,466	2.7	36,379	2.4	18,695	2.7	19,533	2.5
Repair expenses	5,016	0.4	5,080	0.4	6,487	0.4	3,982	0.6	1,494	0.2
Others	10,821	0.8	10,921	0.8	9,590	0.6	3,029	0.4	3,245	0.4
Cost of power distribution	378,777	29.5	407,051	29.8	411,683	26.9	189,555	27.0	185,358	23.7
Staff and labor costs	191,761	14.9	200,486	14.7	209,272	13.7	101,940	14.6	97,772	12.5
Depreciation and amortization	78,596	6.1	82,357	6.0	91,604	6.0	43,636	6.2	45,841	5.9
Repair expenses	33,281	2.6	45,634	3.3	40,004	2.6	16,689	2.4	16,762	2.1
Others	75,139	5.9	78,574	5.8	70,803	4.6	27,290	3.8	24,983	3.2
Subtotal	1,154,139	89.9	1,167,412	85.6	1,251,772	81.8	606,676	86.7	682,406	87.4
EECS business	129,362	10.1	196,095	14.4	279,157	18.2	92,909	13.3	98,426	12.6
Total	1,283,501	100.0	1,363,507	100.0	1,530,929	100.0	699,585	100.0	780,832	100.0

Our Power Business

Our power business principally involves (i) hydropower generation; (ii) electricity distribution; and (iii) sales of electricity to end users. Under our power business, electricity is generated from the hydropower plants we own and operate or purchased from third-party suppliers. It is subsequently distributed to industrial, commercial, household and other users through our power grid, which contains step-up and step-down transformer substations and transmission and distribution lines, for their ultimate consumption. As of June 30, 2018, we owned and operated 35 hydropower plants, which were installed with 77 electricity generating units having a total installed capacity of 138,680 kW. The following table sets forth a breakdown of the revenue, cost of sales and gross profit margin of our self-generated electricity and electricity sourced from third parties for the periods indicated.

	For the years ended December 31,												For the six months ended June 30,			
	2015				2016				2017				2018			
	Revenue	Cost of Sales[(1)]	Gross Profit	GPM	Revenue	Cost of Sales[(1)]	Gross Profit	GPM	Revenue	Cost of Sales[(1)]	Gross Profit	GPM	Revenue	Cost of Sales[(1)]	Gross Profit	GPM
	RMB'000	RMB'000	RMB'000	(%)	RMB'000	RMB'000	RMB'000	(%)	RMB'000	RMB'000	RMB'000	(%)	RMB'000	RMB'000	RMB'000	(%)
Self-generated electricity	326,468	167,436	159,032	48.7	344,176	181,973	162,203	47.1	309,176	167,116	142,060	45.9	114,868	64,201	50,667	44.1
Electricity sourced from third parties	1,113,438	986,703	126,735	11.4	1,112,202	985,439	126,763	11.4	1,233,135	1,084,656	148,479	12.0	732,051	618,205	113,846	15.6
Total	1,439,906	1,154,139	285,767	19.8	1,456,378	1,167,412	288,966	19.8	1,542,311	1,251,772	290,539	18.8	846,919	682,406	164,513	19.4

Note:

(1) Cost of sales of self-generated electricity generally consists of the staff wages, social insurance, depreciation, repair costs, property insurance premiums and other expenses. Cost of sales of electricity sourced from third parties generally consists of the cost of purchasing electricity at a specified or agreed price from third-party suppliers. We also include cost of power distribution in the cost of sales of self-generated electricity and the cost of sales of electricity sourced from third-party suppliers, and allocate it in the calculation of gross profit margin, primarily because the transmission and distribution of the electricity generated by us or the electricity purchased externally to our end customers usually involve certain costs and expenses, which mainly include line loss, costs of maintenance materials, amortization of low-value consumable goods, staff wages, social insurance, repair costs, operation maintenance expenses and property insurance premiums. The proportion of the cost of power distribution in the costs of sales of self-generated electricity and electricity sourced from third parties is determined based on MWh of self-generated electricity as a percentage of total MWh of electricity that consists of both self-generated and externally sourced electricity, and MWh of electricity sourced from third-party suppliers as a percentage of total MWh of electricity that consists of both self-generated and externally sourced electricity.

Pricing

In general, the sales price of our electricity is approved or fixed by the relevant pricing authorities in China. On March 28, 2005, the NDRC issued the Notice on Publication of the Implementation of Reform of Power Tariff (《關於印發電價改革實施辦法的通知》) to provide guidance for the reform of tariff-setting mechanism. According to this notice, power tariff is classified into (a) on-grid tariff; (b) transmission and distribution tariff; and (c) end-user tariff, among which, only end-user tariffs and on-grid tariffs are applicable to us. The PRC government is responsible for regulating and supervising power tariffs based on costs, investments and affordability of the local customers. On July 13, 2017, the NDRC promulgated the NDRC No. 5 Announcement of 2017 (《國家發展和改革委員會公告2017年第5號》) to abolish the aforementioned notice. In April and May 2018, the Sichuan Development and Reform Commission has issued the Notice of Pricing Catalogue of Sichuan Province (《關於印發<四川省定價目錄>的通知》) and the Notice of Adjustment of the Provincial Power Grid Management Jurisdiction and Related Issues (《關於調整省屬電網電價管理權限有關事項的通知》), respectively, to regulate the transmission and distribution price, the power selling price of provincial power grid enterprises and the grid power price of such power generation entities dispatched by provincial power grid enterprises. Our subsidiaries, including Yibin Electricity, Xingwen Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity and Junlian Electricity, are included in the catalogue of the provincial power grid enterprises, which currently comply with the power tariff policies instituted by the Sichuan Development and Reform Commission. For further details of the relevant laws and regulations governing the pricing mechanism in the PRC power industry, please see the section headed "Regulatory Environment — Regulations on the Power Industry — Pricing Rule" in this prospectus.

Our EECS Business

In addition to our power business, during the Track Record Period, we, through our subsidiaries, also engaged in the EECS business, which mainly involves undertaking the electrical engineering construction projects and selling electric equipment and materials. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017, 2018, the revenue from undertaking electrical engineering construction projects amounted to RMB170.7 million, RMB232.7 million, RMB303.8 million, RMB104.0 million and RMB121.3 million, respectively, while the sales of electric equipment and materials amounted to RMB4.0 million, RMB2.6 million, RMB7.1 million, RMB3.2 million and RMB2.3 million, respectively.

COMPETITIVE STRENGTHS

We believe we have the following competitive advantages: (i) we are a comprehensive power solution provider that provides integrated power services covering generation, distribution and sales of electricity; (ii) we are the only power supplier in our power supply service area in Yibin City; (iii) we possess regional advantages, abundant natural resources, including hydropower reserves, and conducive conditions for business development; (iv) we enjoy strong support from our major Shareholders, which lays a solid foundation for the stable and healthy development of our business; and (v) we possess a management team with extensive business and management experience.

OUR STRATEGIES

Our strategy is to further expand our share in the power supply market in Southwestern China, develop our power service value chain and strive to become an advanced comprehensive power operator in China. We plan to adopt the following development strategies: (i) seeking acquisition opportunities to continue to increase our share in the power generation and supply market; (ii) improving our power grid structure and enhancing the level of automation and informatization; (iii) further strengthening cost control to continuously improve our profitability; (iv) actively participating in the PRC power industry reform and extending the service industry chain; and (v) striving for diversified development and capturing opportunities to enter into new business sectors in order to create an industrial structure with complementary businesses.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, but not limited to, the following: (i) our business growth depends greatly on the continuous economic growth of Yibin City. If the economic growth of Yibin City is below expectation or there is any material adverse change in the economic or social conditions, our business, results of operations and financial conditions may be materially and adversely affected; (ii) we source electricity from external parties and we rely on a limited number of suppliers; (iii) our power generation is dependent on hydrological conditions and we may face risks of business seasonality; (iv) our borrowing levels, interest payment obligations and net current liabilities could limit the funds available to us for business purposes; (v) we are subject to risks associated with changes in preferential tax treatment; (vi) we may encounter difficulties in identifying suitable acquisition opportunities and the estimated return on acquisitions may not be accurate or may not materialize at all; and (vii) we or our landlords do not possess the land use rights certificates or building ownership certificates in respect of certain land and buildings owned or leased by us. For further details of these and other risks we face, please see the section headed "Risk Factors" in this prospectus.

OUR CUSTOMERS AND SUPPLIERS

Our Customers

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our five largest customers in the aggregate accounted for approximately 17.6%, 16.7%, 18.1% and 17.5%, respectively, of our total revenue, and the sales to our largest customer accounted for approximately 4.7%, 3.9%, 5.2% and 4.6%, respectively, of our total revenue for the same periods.

The customers of our power business are primarily categorized into the following groups: (i) household; (ii) general industrial and commercial; (iii) large industrial; (iv) State Grid Company; and (v) others. We have developed business relationships with our five largest customers during the Track Record Period ranging from four to seven years as of June 30, 2018. As of December 31, 2017, our power business served a total of approximately 3.2 million residents in Yibin City, accounting for 57.3% of the total population of Yibin City.

Our Suppliers

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, aggregate purchases from our five largest suppliers accounted for approximately 67.5%, 59.0%, 65.0% and 80.9%, respectively, of our total cost of purchase of electricity, while purchases from our largest supplier accounted for approximately 43.6%, 32.5%, 33.7% and 41.5%, of our total cost of purchase of electricity, respectively, for the same periods.

Our third-party power suppliers include State Grid Company and Southern Grid Company, as well as other hydropower plants that are connected to our power grid. We have developed business relationship with our five largest suppliers during the Track Record Period ranging from two to seven years as at June 30, 2018.

For further details on our customers and suppliers, please see "Business — Our Customers" and "Business — Our Suppliers" in this prospectus.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Controlling Shareholders, namely, Hydropower Group, Energy Investment Group and Sichuan Development Co., were together entitled to directly or indirectly exercise or control the exercise of 52.06% of the voting rights at the general meetings of our Company. Immediately following the completion of the Global Offering and without taking into account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option, our Controlling Shareholders will together be entitled to exercise or control the exercise of 39.03% of the voting rights at the general meetings of our Company, respectively, and therefore, they will continue to be our Controlling Shareholders. Please see the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

RURAL POWER GRID INJECTED ON ESTABLISHMENT OF OUR COMPANY

As part of the policy-directed projects for the benefits of the people (惠民工程), Hydropower Group participated in the rural power grid construction projects in our designated power supply area, including parts of the Seven Counties and Districts, which were implemented by and under the guidance of the PRC government. Hydropower Group shall, on behalf of the People's Government of Sichuan Province, invest in, operate and manage such assets with fiscal appropriation and unified loan funds.

In September 2011, upon the establishment of our Company, Hydropower Group initially injected the rural power grid assets located in the Seven Counties and Districts to our Company. In addition, it also transferred construction funds for rural power grid projects amounting to approximately RMB878.0 million to us. The legal title to the construction funds or the rural power grid projects/assets constructed by using such construction fund have been transferred to us while such rural power grid construction funds have been recognized as State capital reserves benefits (國家獨享資本公積) solely enjoyed by Hydropower Group and such designation will remain unchanged after the Listing. Hydropower Group does not and will not enjoy any additional shareholder rights by reason of the rural power grid construction funds being categorized as State capital reserves benefits, in particular, it does not enjoy any special voting rights or privileges, which are generally not available to our other Shareholders. The State capital reserves benefits may be converted into the Shares of our Company, with the approval of two-thirds or more affirmative votes at a general meeting of our Shareholders. Hydropower Group has provided an undertaking to us in writing on September 26, 2017, pursuant to which it has irrevocably and unconditionally undertaken, among others, not to (i) withdraw the State capital reserves benefits from our Company in any way or request our Company to pay back the State capital reserves benefits; or (ii) transfer the State capital reserves benefits or request to convert the State capital reserves benefits into equity interests of our Company or any other companies within our Group. For further details of the rural power grid relating to us, please see the section headed "Relationship with Our Controlling Shareholders" in this prospectus.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as at and for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, extracted from the Accountants' Report set out in Appendix I to this prospectus. For further details of our consolidated financial information, please see the section headed "Financial Information" in this prospectus.

Consolidated Statements of Profit or Loss

The table below sets forth our consolidated statement of profit or loss with line items in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the years ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue	1,614,602	100.0	1,691,675	100.0	1,853,243	100.0	836,320	100.0	970,556	100.0
Cost of sales	(1,283,501)	(79.5)	(1,363,507)	(80.6)	(1,530,929)	(82.6)	(699,585)	(83.7)	(780,832)	(80.5)
Gross profit	331,101	20.5	328,168	19.4	322,314	17.4	136,735	16.3	189,724	19.5
Other income	34,722	2.2	32,593	1.9	52,530	2.8	30,045	3.6	14,972	1.5
Administrative expenses	(151,087)	(9.4)	(161,773)	(9.6)	(179,586)	(9.7)	(74,430)	(8.8)	(81,363)	(8.3)
Impairment of loss on trade and other receivables, including contract assets	(25,260)	(1.6)	(15,662)	(0.9)	(1,222)	(0.1)	(1,541)	(0.2)	2,227	0.2
Other expenses	(12,891)	(0.7)	(5,880)	(0.3)	(19,794)	(1.1)	(832)	(0.1)	(1,407)	(0.1)
Profit from operations	176,585	11.0	177,446	10.5	174,242	9.3	89,977	10.8	124,153	12.8
Finance costs	(70,975)	(4.4)	(50,885)	(3.0)	(41,360)	(2.2)	(19,748)	(2.4)	(16,573)	(1.7)
Share of profits less losses of associates	13,026	0.8	9,523	0.6	10,672	0.6	4,591	0.5	2,415	0.2
Profit before taxation	118,636	7.4	136,084	8.1	143,554	7.7	74,820	8.9	109,995	11.3
Income tax	(13,739)	(0.9)	(18,260)	(1.1)	(18,664)	(1.0)	(9,398)	(1.1)	(14,739)	(1.5)
Profit for the year/period	104,897	6.5	117,824	7.0	124,890	6.7	65,422	7.8	95,256	9.8
Adjusted net profit(1)	104,897	6.5	121,270	7.2	133,708	7.2	66,402	7.9	97,208	10.0

Note:

(1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period excluding the effects of the listing expenses as it is non-recurring in nature. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items, namely, listing expenses. There are no other significant non-recurring or one-off items during the Track Record Period. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See "Financial Information – Non-IFRS Measure" in this prospectus. The following table reconciles our Adjusted Net Profit for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period.

	For the years ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period . .	104,897	117,824	124,890	65,422	95,256
Add:					
Listing expenses	–	3,446	8,818	980	1,952
Adjusted Net Profit	104,897	121,270	133,708	66,402	97,208

Our revenue increased from RMB836.3 million for the six months ended June 30, 2017 to RMB970.6 million for the six months ended June 30, 2018, primarily due to an increase in the revenue of our power business as the demand for household, general industrial and commercial, as well as large industrial electricity customers all increased in the first half of 2018 compared to the same period in 2017, and an increase in the revenue of our EECS business due to more large-scale EECS projects we undertook during the first half of 2018 compared to the same period in 2017. Our revenue increased from RMB1,691.7 million for the year ended December 31, 2016 to RMB1,853.2 million for the year ended December 31, 2017, primarily due to an increase in revenue of our power business, which is mainly a result of an increased demand of electricity from our household and large industrial customers and an increase in revenue of our EECS business, which was mainly due to an increased number of construction projects we undertook in 2017. Our revenue increased from RMB1,614.6 million for the year ended December 31, 2015 to RMB1,691.7 million for the year ended December 31, 2016, primarily due to increases in revenue from our power business as a result of increased demand of electricity from our household and general industrial and commercial customers; and an increase in revenue from our EECS business, primarily because we were awarded certain large-scale construction work involving rural power grid assets.

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	3,120,152	3,050,312	3,160,594	3,164,398
Current assets	1,328,600	989,850	766,174	867,803
Total assets	4,448,752	4,040,162	3,926,768	4,032,201
Current liabilities	2,006,639	1,543,774	1,504,436	1,411,736
Non-current liabilities	243,735	442,753	305,532	472,854
Total liabilities	2,250,374	1,986,527	1,809,968	1,884,590
Net current liabilities	(678,039)	(553,924)	(738,262)	(543,933)
Total equity	2,198,378	2,053,635	2,116,800	2,147,611

Summary of Consolidated Statements of Cash Flows

	For the Years Ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash flows generated from operating activities	246,967	430,413	384,738	65,875
Net cash flows (used in)/ generated from investing activities	(210,293)	(39,887)	108,109	(20,778)
Net cash flows (used in)/generated from financing activities	(322,427)	(447,663)	(304,306)	14,119
Cash and cash equivalents at beginning of the year/period	249,687	(36,066)	(93,203)	95,338
Cash and cash equivalents at the end of the year/period	(36,066)(1)	(93,203)(1)	95,338	154,554
Bank overdrafts	550,269	330,234	300,473	300,929
Cash in the consolidated statement of financial position	514,203	237,031	395,811	455,483

Note:

(1) We recorded negative cash and cash equivalents as of December 31, 2015 and 2016 mainly because bank overdrafts that are repayable on demand formed an integral part of our cash management, and were included as a component of cash and cash equivalents. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn. Please see the section headed "Financial Information — Liquidity and Capital Resources — Cash Flows Analysis" in this prospectus.

Key Financial Ratios

The following table sets forth some of our key financial ratios as at the dates indicated:

	As of/for the year ended December 31,			As of/ for the six months ended June 30,
	2015	2016	2017	2018
Gross profit margin(1)	20.5%	19.4%	17.4%	19.5%
Net profit margin(2)	6.5%	7.0%	6.7%	9.8%
Current ratio(3)	0.7	0.6	0.5	0.6
Net debt to equity ratio(4)	44.9%	45.6%	22.7%	21.2%
Gearing ratio(5)	68.3%	57.2%	41.4%	42.4%
Interest coverage ratio(6)	2.7	3.7	4.5	7.6
Return on average equity(7)	4.8%	5.7%	6.0%	N/A
Return on average total assets(8)	2.4%	2.8%	3.1%	N/A

Notes:

(1) Gross profit margin was calculated based on our gross profit for the year/period divided by our revenue for the same year/period.

(2) Net profit margin was calculated based on our net profit for the year/period divided by our revenue for the same year/period.

(3) Current ratio was calculated based on our total current assets as of the respective dates divided by our total current liabilities as of the same dates.

(4) Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

(5) Gearing ratio was calculated based on our interest-bearing liabilities as of the respective dates divided by our total equity as of the same dates.

(6) Interest coverage ratio equals profit before interest and tax of the year/period divided by finance cost of the same year.

(7) Return on average equity was calculated based on our profit attributable to equity shareholders of our Company divided by the average balance of our total equity (excluding non-controlling interests) at the beginning and the end of the year and multiplied by 100%. We did not calculate the return on average equity for the six months ended June 30, 2018 for the purpose of comparison as we believe it is not meaningful to compare the ratio for the six months ended June 30, 2018 with the ratio for the year ended December 31, 2017.

(8) Return on average total assets was calculated based on our profits for the year divided by the average balance of our total assets at the beginning and the end of the year and multiplied by 100%. We did not calculate the return on average total assets for the six months ended June 30, 2018 for the purpose of comparison as we believe it is not meaningful to compare the ratio for the six months ended June 30, 2018 with the ratio for the year ended December 31, 2017.

Please see "Financial Information — Key Financial Ratios" for descriptions of the commentary on the fluctuations of the above ratios.

NET CURRENT LIABILITIES AND WORKING CAPITAL SUFFICIENCY

As of December 31, 2015, 2016 and 2017 and June 30, 2018 and October 31, 2018, we had net current liabilities of approximately RMB678.0 million, RMB553.9 million, RMB738.3 million, RMB543.9 million and RMB15.8 million, respectively. We recorded net current liabilities during the Track Record Period mainly because we have used short-term bank loans and other borrowings to finance our general working capital needs and capital expenditure. The increase in net current liabilities from December 31, 2016 to December 31, 2017 was primarily due to a decrease in our current assets, which was a result of a decrease in other financial assets as we redeemed certain financial products at their maturity in 2017 and used the proceeds to repay certain of our indebtedness, a contribution of RMB100.0 million for our 9.09% equity interest in Lhasa Jinding Xingneng Investment Center (Limited Partnership)* (拉薩金鼎興能投資中心(有限合夥)) ("Jinding Fund") (based on actual contribution made) and an increase in our current liabilities, primarily due to an increase in trade and other payables as a result of accumulated accounts payable to third-party electricity suppliers and an increase in short-term loans and other borrowings as non-current unsecured bank loans in an amount of RMB93.0 million was transferred to the current portion as of December 31, 2017. Our net current liabilities decreased as of June 30, 2018 mainly because we made repayments of certain of our bank loans and other borrowings and increases in trade and other receivables and cash and cash equivalents as we expanded our business in the first half of 2018. Our net current liabilities further decreased as of October 31, 2018 mainly because we refinanced approximately RMB130.0 million of the short-term bank loans that were due in July 2018 and RMB300.0 million of bank overdrafts that were due in August 2018 by long-term borrowings amounted to approximately RMB400.0 million. For further details, please see the section headed "Financial Information — Liquidity and Capital Resources — Current Assets and Current Liabilities" in this prospectus.

We finance our working capital needs primarily through cash flow from operating activities, bank loans, bank overdrafts and corporate bonds. Taking into account the financial resources available to our Group, including the cash flow from operating activities, the unutilized banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering) for the Global Offering were approximately RMB57.3 million. During the Track Record Period, we incurred approximately RMB19.0 million of listing expenses for the Global Offering, of which RMB14.2 million was charged to the consolidated statements of profits or loss for the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2018, as administrative expenses. We expect to incur additional listing expenses of RMB38.4 million in connection with the Global Offering, of which an estimated amount of RMB0.5 million is expected to be recognized as administrative expenses and the remaining amount of RMB37.9 million is expected to be recognized directly as a deduction from equity upon Listing. Our Directors are of the view that such expenses will not have a material and adverse impact on our results of operations for the year ending December 31, 2018.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumption that: (a) the Global Offering has been completed and 268,800,000 H Shares are in issue; and (b) the Over-allotment Option has not been exercised.

	Based on minimum indicative Offer Price of HK$1.76	Based on maximum indicative Offer Price of HK$2.34
Market capitalization of our H Shares	HK$473.1 million	HK$629.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share(1)	HK$2.64	HK$2.78

Note:

(1) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information".

DIVIDENDS AND DIVIDEND POLICY

For the year ended December 31, 2015 and 2016, we declared dividends of RMB64.4 million and RMB64.4 million, respectively, which were fully paid. As of the Latest Practicable Date, we have declared and paid an aggregate of RMB64.4 million for the year ended December 31, 2017.

Our Articles of Association require that dividends may be paid either in cash or stock or a combination of both. Distribution of dividends will be formulated by our Board at its discretion and will be subject to shareholders' approval.

Subject to the above factors and our Articles of Association, we expect that the profit to be distributed in cash each year will be no less than 50% of the distributable profit (being the lower of the amounts determined in accordance with PRC GAAP or IFRS) in our consolidated financial statements for that year. However, we cannot assure you that we will be able to declare or distribute dividends in any amount each year or in any year. The declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future. For further details of our dividends and dividend policy, please see the section headed "Financial Information — Dividends and Dividend Policy" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$502.4 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the Offer Price of HK$2.05 per H Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

Amount of the Estimated Net Proceeds	Intended Use of the Net Proceeds
Approximately 40.0% or HK$201.0 million	Acquisition of certain power-related assets and hydropower plants
Approximately 30.0% or HK$150.7 million	Construct a higher voltage power supply network and upgrade existing power grid facilities
Approximately 20.0% or HK$100.5 million	Establish a centralized power dispatch control center and facilitate the automation and informatization of our power grid system
Approximately 10.0% or HK$50.2 million	Working capital and general corporate purposes

For further details of our use of the net proceeds from the Global Offering, please see the section headed "Future Plans and Use of Proceeds" in this prospectus.

HISTORICAL REGULATORY NON-COMPLIANCE INCIDENTS

During the Track Record Period, we were involved in certain systemic non-compliance incidents in relation to (i) the social insurance and housing provident fund contributions; (ii) the number of contract labor personnel and (iii) the compulsory collection of prepayment for electricity from non-residential customer. For further details of such systematic non-compliance incidents, please see the section "Business — Legal and Regulatory Compliance — Regulatory Non-compliance" in this prospectus. In view of the nature and extent of these non-compliance incidents and the potential risks we would be exposed to, our Directors believe that these incidents, individually or in the aggregate, do not and will not have any material financial or operational impact on us.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2018, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since June 30, 2018 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

RECENT DEVELOPMENT

From July 1, 2018 and up to the Latest Practicable Date, our business remained relatively stable. During the aforesaid period, to the best of our knowledge, there was no material change to the overall economic and market conditions in China and the hydropower industry in which we operate that may have a material adverse effect on our business operations and financial position.

The Sichuan Development and Reform Commission issued the Notice of Pricing Catalogue of Sichuan Province (《關於印發<四川省定價目錄>的通知》) and the Notice of Adjustment of the Provincial Power Grid Management Jurisdiction and Related Issues (《關於調整省屬電網電價管理權限有關事項的通知》) in April and May 2018, respectively, regulating that the transmission and distribution price, the power selling price of provincial power grid enterprises and the grid power price of such power generation entities dispatched by provincial power grid enterprises shall be determined by the provincial pricing administrative authorities. Our subsidiaries, including Yibin Electricity, Xingwen Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity and Junlian Electricity, are included in the catalogue of the provincial power grid enterprises. There was no material change on the pricing mechanism or adjustment to on-grid tariffs price up to the Latest Practicable Date. Please refer to "Risk Factors — Risks Relating to Our Industry — We operate in a government-controlled industry, and we do not have control over the pricing of electricity sourcing and sales, which may affect our profitability" in this prospectus for a description of risks relating to our pricing.

In the third quarter of 2018, we generated approximately 144,684 MWh of electricity and sold in the aggregate approximately 869,540 MWh of electricity to our customers. Since July 1, 2018, we added 28 new general industrial and commercial customers and large industrial customers, which in the aggregate have used approximately 33,893 MWh of electricity. In addition, during this period, we received new customer applications from 26 potential general industrial and commercial customers and large industrial customers, which in the aggregate applied to use approximately 231,499 MWh of electricity per year.

On July 4, 2018, we, as borrower, entered into a liquidity loan agreement with Bank of Communications, Chengdu Wenjiang Sub-branch, as lender, pursuant to which we obtained a loan in the aggregate principal amount of RMB130.0 million. According to this agreement, the loan is due on February 8, 2020 and bears an annual interest rate as referenced to the lending benchmark interest rate announced by the PBOC applicable at the time of each drawdown plus 0.63%.

On July 20, 2018, we, as borrower, entered into a liquidity loan agreement with Industrial Bank Co. Ltd., Chengdu Branch, as lender, pursuant to which we obtained a loan in the aggregate principal amount of RMB200.0 million. According to this agreement, the loan is due on July 19, 2021 and bears an annual interest rate as referenced to the lending benchmark interest rate announced by the PBOC applicable at the time of each drawdown plus 0.6775%.

On August 20, 2018, we, as borrower, entered into a liquidity loan agreement with Bank of Shanghai, Chengdu Branch, as lender, pursuant to which we obtained a loan in the aggregated principal amount of RMB70.0 million. According to this agreement, the loan is due on March 27, 2020 and bears an annual interest rate as referenced to the lending benchmark rate announced by PBOC applicable at the time of each drawdown and an upward 5% floating adjustment on such benchmark rate.

From July 1, 2018 and up to the Latest Practicable Date, we made repayments of approximately RMB130.0 million of the short-term bank loans that were due in July 2018, RMB300.0 million of the bank overdrafts that were due in August 2018 and early repayment of RMB129.0 million of the short-term bank loans that will be due in January 2019.

On January 11, 2018, Gong Qinglin Mining Co., Ltd. (珙縣慶林礦業有限公司, "Qinglin Mining") filed a lawsuit with Yibin Intermediate People's Court ("Yibin Intermediate Court") against Hydropower Group, us and one of our subsidiaries, Gong County Electricity, (collectively, the "Co-defendants"), claiming that in the course of carrying out the rural power grid construction projects in certain areas of Gong County and Xingwen County (the "Construction Areas") in 2015, the Co-defendants had infringed the mining rights of Qinglin Mining for certain minerals in the Construction Areas and consequently, Qinglin Mining sought to obtain aggregate damages in the amount of approximately RMB39.6 million from the Co-defendants. We and Gong County Electricity as well as Hydropower Group separately submitted applications for objection to jurisdiction. On February 11, 2018, Yibin Intermediate Court ruled against our and Hydropower Group's objection to jurisdiction. In February 2018, we and Gong County Electricity as well as Hydropower Group separately appealed against such decision to Sichuan Higher People's Court. On June 12, 2018, the Sichuan Higher People's Court upheld the original ruling by Yibin Intermediate Court. Subsequently, on June 26, 2018, Gong County Land and Resources Bureau issued public announcements, which stated that the mining licenses of Qinglin Mining with respect to the Construction Areas could be revoked due to Qinglin Mining's failure to make adequate payments for the relevant mining rights. According to the applicable PRC laws and regulations, publicity period is 10 working days, after which the relevant mining licenses will be revoked if no objection is received. Accordingly, we applied for the extension and suspension of the trial of the case with Yibin Intermediate Court. After examination, the court concluded that the infringement compensation issue of the case shall depend on the decision of the Gong County Land and Resources Bureau whether to revoke the relevant mining licenses held by Qinglin Mining. Therefore, on August 6, 2018, Yibin Intermediate Court ruled that the trial of the case shall be suspended pending the final outcome by the Gong County Land and Resources Bureau. Our special PRC litigation counsel advised us that if the mining licenses held by Qinglin Mining are revoked according to law, its basis for claiming infringement compensation will be lost, and the Sichuan Higher People's Court will be unlikely to rule in its favor. In addition, even if the people's courts in Sichuan Province determine that Qinglin Mining should be compensated, the party bearing the responsibility for the compensation liability should be Hydropower Group and that the risk that we and/or Gong County Electricity will be adjudicated to be liable for the infringement compensation by the people's courts in Sichuan Province is remote. In addition, Hydropower Group has provided an undertaking in favor of our Company, pursuant to which it has undertaken to fully indemnify us and Gong County Electricity for all damages incurred in the event the people's courts in Sichuan Province ultimately adjudicate against our Company or Gong County Electricity. Please see the section headed "Business – Legal and Regulatory Compliance – Legal Proceedings" in this prospectus for more details.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s) or, where the context requires, any of them relating to the Global Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the Board of Directors of our Company
"Bohai Trust"	Bohai International Trust Co., Ltd.* (渤海國際信託股份有限公司), a company established in the PRC as a joint stock company with limited liability on December 9, 1983 and an Independent Third Party
"business day(s)" or "Business Day(s)"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"Catalog for the Guidance of Foreign Investment Industries"	Catalog for the Guidance of Foreign Investment Industries (Revised in 2017) (外商投資產業指導目錄(2017年修定)), a guidance for foreign investment in certain key industries in the PRC, which was promulgated jointly by the MOFCOM and the NDRC on June 28, 2017 and became effective from July 28, 2017
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"China Power"	China Power International Development Limited* (中國電力國際發展有限公司), a limited liability company established in Hong Kong on March 24, 2004 and listed on the Stock Exchange on October 15, 2004 (stock code: 2380). As of the Latest Practicable Date, China Power held 12.17% of the total Shares of our Company
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended and supplemented from time to time
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended and supplemented from time to time
"Company" or "our Company"	Sichuan Energy Investment Development Co., Ltd.* (四川能投發展股份有限公司), a company established in the PRC as a joint stock company with limited liability on September 29, 2011, the H Shares of which are being applied for listing on the Main Board of the Stock Exchange
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules

"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely, Hydropower Group, Energy Investment Group and Sichuan Development Co.
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Development Guide Directory for Renewable Energy Industry"	The Development Guide Directory for Renewable Energy Industry (可再生能源產業發展指導目錄), a notice issued in 2005 by NDRC to establish the printing and distributing catalog for the industrial development of renewable energy
"Director(s)"	director(s) of our Company
"Domestic Shares"	domestic invested ordinary shares in our registered capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and held by PRC nationals or PRC incorporated entities, and are not listed or traded on any stock exchange
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法)
"Electric Power Law"	Electric Power Law of the PRC (中華人民共和國電力法), adopted by the Standing Committee of the Eighth National People's Congress (第八屆全國人民代表大會常務委員會) on December 28, 1995, effective as of April 1, 1996, amended on August 27, 2009, and further amended and released on April 24, 2015
"Electricity Engineering Construction"	Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司), a limited liability company established in the PRC on November 5, 1996 and a wholly-owned subsidiary of our Company
"Energy Investment Group"	Sichuan Province Energy Investment Group Co., Ltd.* (四川省能源投資集團有限責任公司), a limited liability company established in the PRC on February 21, 2011 and one of our Controlling Shareholders upon the Listing

"Euromonitor"	Euromonitor International, an Independent Third Party, and a professional market research and consulting firm which prepared the Euromonitor Report
"Euromonitor Report"	the report, written by Euromonitor as commissioned by our Company containing an analysis of the power industry in the PRC and Sichuan Province and other relevant economic and statistical data, as referred to in the section headed "Industry Overview" in this prospectus
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"Excluded Rural Power Grid Projects"	the rural power grid construction projects located in the Seven Counties and Districts, which form part of the Rural Power Grid Construction Projects Phase III and are controlled by Hydropower Group
"Founders"	seven entities which together established our Company in September 2011 pursuant to the Founders Agreement, namely, Hydropower Group, Sichuan Fund, Gao County State-owned Assets Co., Yibin State-owned Assets Co., Xingwen County Urban Construction Co., Sichuan Development Co. and Junlian County State-owned Assets Co.
"Founders Agreement"	a founders agreement entered into in June 2011 regarding the establishment of our Company by and among the Founders
"Gao County Electricity"	Sichuan Energy Investment Gao County Electricity Co., Ltd.* (四川能投高縣電力有限公司), a limited liability company established in the PRC on January 30, 1996 and a wholly-owned subsidiary of our Company

"Gao County State-owned Assets Co."	Gao County State-owned Assets Operation and Management Co., Ltd.* (高縣國有資產經營管理有限責任公司), a State-owned enterprise with limited liability established under the laws of the PRC on May 24, 2007. As of the Latest Practicable Date, Gao County State-owned Assets Co. held 11.47% of the total Shares of our Company
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Gong County Electricity"	Sichuan Energy Investment Gong County Electricity Co., Ltd.* (四川能投珙縣電力有限公司), a limited liability company established in the PRC on December 29, 1994 and a wholly-owned subsidiary of our Company
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider, designated by our Company
"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share Registrar"	Tricor Investor Services Limited
"H Shares"	overseas-listed, foreign-invested, ordinary shares issued by us with a nominal value of RMB1.00 each in the share capital of our Company, which are to be subscribed for and traded in HK dollars and for which an application has been made for listing and permission to trade on the Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** at **www.hkeipo.hk**

"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** Service Provider designated by our Company as specified on the designated website **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 26,880,000 H Shares initially offered by us for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offering of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies and the Stock Exchange trading fees), subject to the terms and conditions described in this prospectus and on the Application Forms as further described in the section headed "Structure of the Global Offering — the Hong Kong Public Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters listed in "Underwriting — Hong Kong Underwriters" of this prospectus, being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 12, 2018, relating to the Hong Kong Public Offering and entered into by our Company, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters as further described in the section headed "Underwriting — Hong Kong Underwriting Arrangements — Hong Kong Public Offering" in this prospectus

"Hydropower Group"	Sichuan Province Hydropower Investment and Management Group Co., Ltd.* (四川省水電投資經營集團有限公司), a limited liability company established in the PRC on December 17, 2004 and one of our Controlling Shareholders upon Listing
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	party(ies) not connected with our Company and our connected persons (as defined in the Listing Rules)
"International Offer Shares"	the 241,920,000 H Shares initially offered by our Company pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering to be entered into on or about the Price Determination Date, by, among others, the International Underwriters and our Company, as further described in the section headed "Underwriting — International Offering" of this prospectus

"Jinding Fund"	Lhasa Jinding Xingneng Investment Centre (LLP)* (拉薩金鼎興能投資中心(有限合夥)), in which our Group had a 9.09% interest as of the Latest Practicable Date (based on actual contribution made). Please also refer to the section headed "Connected Transactions — Continuing Connected Transactions — Exempt Continuing Connected Transactions — Counter-guarantee Provided by Sichuan Jinding" for details
"Jinxinghe Investment"	Sichuan Jinxinghe Investment Co., Ltd.* (四川金興和投資有限公司), a limited liability company established in the PRC on April 23, 2013 and an Independent Third Party
"Joint Bookrunners"	BOCOM International Securities Limited, First Capital Securities Limited, Haitong International Securities Company Limited, CCB International Capital Limited, ABCI Capital Limited and Guotai Junan Securities (Hong Kong) Limited, being the joint bookrunners of the Global Offering
"Joint Lead Managers"	BOCOM International Securities Limited, First Capital Securities Limited, Haitong International Securities Company Limited, CCB International Capital Limited, ABCI Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, Sinomax Securities Limited, Livermore Holdings Limited and Kaiser Securities Limited, being the joint lead managers of the Global Offering
"Junlian County State-owned Assets Co."	Junlian County State-owned Assets Operation Co., Ltd.* (筠連縣國有資產經營有限公司), a wholly State-owned enterprise with limited liability established under the laws of the PRC on July 8, 2003. As of the Latest Practicable Date, Junlian County State-owned Assets Co. held 0.89% of the total Shares of our Company
"Junlian Electricity"	Sichuan Energy Investment Junlian Electricity Co., Ltd.* (四川能投筠連電力有限公司), a limited liability company established in the PRC on May 21, 2012 and a wholly-owned subsidiary of our Company
"Latest Practicable Date"	December 3, 2018, being the Latest Practicable Date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Friday, December 28, 2018, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)
"NEA"	the National Energy Administration of the PRC (國家能源局)
"Non-competition Agreement"	a non-competition agreement dated December 7, 2017 entered into by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries from time to time), details of which are disclosed in the subsection headed "Relationship with Our Controlling Shareholders — The Non-Competition Agreement" in this prospectus

"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final offer price per H Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold, pursuant to the Global Offering, as described in "Structure of the Global Offering — Pricing and Allocation" of this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot up to an aggregate of 40,320,000 additional H Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"Pingshan Electricity"	Sichuan Energy Power Investment Pingshan Electricity Co., Ltd.* (四川能投屏山電力有限公司), a limited liability company established in the PRC on July 30, 2008 and a wholly-owned subsidiary of our Company
"Power Grid Consultant"	Sichuan Electric Power Design & Consulting Co., Ltd.* (四川電力設計諮詢有限責任公司), a subsidiary of Power Construction Corporation of China (中國電力建設集團有限公司), an Independent Third Party, and a power grid expert which prepared the Power Grid Report
"Power Grid Report"	the report prepared by the Power Grid Consultant as commissioned by our Company detailing the information of the Excluded Rural Power Grid Projects

"Power Tariff Reform Plan"	The Power Tariff Reform Plan (電價改革方案), issued on July 9, 2003 by the PRC Government to establish a standardized and transparent tariff-setting mechanism
"PRC GAAP"	generally accepted accounting principles of PRC
"PRC Legal Advisors"	Jingtian & Gongcheng, the PRC legal advisors of our Company as to PRC laws
"PRC Renewable Energy Law"	The Renewable Energy Law of the PRC (中華人民共和國可再生能源法), as amended and adopted by the Standing Committee of National People's Congress on December 26, 2009, and became effective as of April 1, 2010
"Price Determination Date"	the date, expected to be on or around Tuesday, December 18, 2018 (Hong Kong time), on which the Offer Price is determined, or such later time as our Company and the Sole Global Coordinator (on behalf of the Underwriters) may agree, but in any event not later than Thursday, December 20, 2018 (Hong Kong time)
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rural Power Grid Construction Projects Phase I"	the rural power grid construction projects conducted since 1998, which had been completed as of the Latest Practicable Date
"Rural Power Grid Construction Projects Phase II"	the rural power grid construction projects conducted since 2004, which had been completed as of the Latest Practicable Date
"Rural Power Grid Construction Projects Phase III"	the rural power grid construction projects conducted since 2011, which had not yet been completed as of the Latest Practicable Date

"SAFE"	the State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SERC"	the State Electricity Regulatory Commission of the PRC (國家電力監管委員會)
"Seven Counties and Districts"	Xingwen County (興文縣), Pingshan County (屏山縣), Gong County (珙縣), Gao County (高縣) and Junlian County (筠連縣), as well as Xuzhou District (敘州區) in Yibin City, Sichuan Province, and certain parts of Cuiping District (翠屏區) in Yibin City, which comprised what was formerly known as Yibin County until July 23, 2018 when the State Council approved an administrative division adjustment plan by Yibin City to abolish Yibin County, and designated certain areas of such county to Xuzhou District and the remaining areas of such county to Cuiping District
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholders(s)"	holder(s) of the Share(s)
"Sichuan Construction Engineering"	Sichuan Energy Construction Engineering Group Co. Ltd.* (四川能投建工集團有限公司), a limited liability company established in the PRC on March 3, 2006 and a connected person of our Company by virtue of its 11.39% equity interest being held by Hydropower Group

"Sichuan Development Co."	Sichuan Development (Holding) Co., Ltd.* (四川發展(控股)有限責任公司), a wholly State-owned enterprise with limited liability established under the laws of the PRC on December 24, 2008 and one of our Controlling Shareholders upon the Listing
"Sichuan Fund"	Sichuan Industry Promotion and Development Investment Fund Co., Ltd.* (四川產業振興發展投資基金有限公司), a limited liability company established in the PRC on June 24, 2011 and one of our Founders. Sichuan Fund did not hold any Shares of our Company as at the Latest Practicable Date
"Sichuan Jinding"	Sichuan Jinding Industrial & Financial Holding Co., Ltd.* (四川金鼎產融控股有限公司), a limited liability company established in the PRC on March 1, 2013 and a connected person of our Company by virtue of its 35.39% equity interest being held by Hydropower Group
"Sichuan Jinding Fund Management"	Sichuan Jinding Industrial & Financial Equity Investment Fund Management Co., Ltd. (四川金鼎產融股權投資基金管理有限公司), a limited liability company established in the PRC on November 20, 2013 and a wholly-owned subsidiary of Sichuan Jinding
"Sole Global Coordinator"	BOCOM International Securities Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on futures contracts) regulated activities
"Sole Sponsor"	BOCOM International (Asia) Limited, a licensed corporation under the SFO permitted to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities
"Southern Grid Company"	Yunnan Power Grid Co., Ltd.* (雲南電網有限責任公司), a wholly-owned subsidiary of China Southern Power Grid Co., Ltd* (中國南方電網有限責任公司), and its subsidiaries, namely Weixin Electricity Supply Limited* (威信供電有限公司) and Yanjin Electricity Supply Limited* (鹽津供電有限公司). Southern Grid Company is one of our principal suppliers of electricity

"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"sq.m."	square meters
"Stabilizing Manager"	BOCOM International Securities Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"State Grid Company"	State Grid Sichuan Electric Power Company Yibin Power Supply Company* (國網四川省電力公司宜賓供電公司), one of our principal suppliers of electricity
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Thirteenth Five Year Plan"	Thirteenth Five Year Plan for National Economic and Social Development of the PRC (十三五計劃), a new economic, social and environmental blueprint for the country's development through 2020 promulgated in March 2016
"Three Gorges Capital"	Three Gorges Capital Holdings Company Limited* (三峽資本控股有限公司), a limited liability company established in the PRC on March 20, 2015. As of the Latest Practicable Date, Three Gorges Capital held 12.17% of the total Shares of our Company
"Track Record Period"	the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018
"Trademark Licensing Agreement"	the trademark licensing agreement dated September 6, 2017 entered into between our Company and Energy Investment Group, pursuant to which Energy Investment Group agreed to license certain trademarks to us at nil consideration

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Foreign Shares"	ordinary shares issued by our Company that are not listed on any stock exchange, with a nominal value of RMB1.00 each, which are held by China Power, being a limited liability company incorporated in Hong Kong
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Xingwen County Development Investment"	Xingwen County Development Investment Group Co., Ltd.* (興文縣發展投資集團有限責任公司), a wholly State-owned enterprise with limited liability established under the laws of the PRC on December 19, 2012. As of the Latest Practicable Date, Xingwen County Development Investment held 3.13% of the total Shares in our Company
"Xingwen County Urban Construction Co."	Xingwen County Urban Construction Investment Co., Ltd.* (興文縣城市建設投資有限責任公司), a limited liability company established in the PRC on May 9, 2005 and one of our Founders. Xingwen County Urban Construction Co. did not hold any Shares in our Company as at the Latest Practicable Date
"Xingwen Electricity"	Sichuan Energy Investment Xingwen Electricity Co., Ltd.* (四川能投興文電力有限公司), a limited liability company established in the PRC on April 3, 1998 and a wholly-owned subsidiary of our Company
"Yangliutan Power Generation"	Shuifu Yangliutan Power Generation Co., Ltd.* (水富楊柳灘發電有限公司), a limited liability company established in the PRC on July 6, 2004 and a wholly-owned subsidiary of our Company

"Yibin Changyuan"	Sichuan Province Yibin County Changyuan Infrastructure Co., Ltd.* (四川省宜賓縣長源實業有限公司), a limited liability company established in the PRC on November 23, 1998 and a wholly-owned subsidiary of our Company
"Yibin City Electricity Sales"	Sichuan Energy Investment Yibin City Electricity Sales Co., Ltd.* (四川能投宜賓市售電有限公司), a limited liability company established in the PRC on September 28, 2016 and a non-wholly owned subsidiary of our Company as to 74%
"Yibin Electricity"	Sichuan Energy Investment Yibin Electricity Co., Ltd.* (四川能投宜賓電力有限公司), a limited liability company established in the PRC on June 18, 2012 and a wholly-owned subsidiary of our Company
"Yibin State-owned Assets Co."	Yibin City State-owned Assets Operation Co., Ltd.* (宜賓市國有資產經營有限公司), a wholly State-owned enterprise with limited liability established under the laws of the PRC on August 4, 1999. As of the Latest Practicable Date, Yibin State-owned Assets Co. held 8.11% of the total Shares in our Company
"Yuejiang Power Generation"	Sichuan Energy Investment Gao County Yuejiang Power Generation Co., Ltd.* (四川能投高縣月江發電有限公司), a limited liability company established in the PRC on April 26, 2017 and a wholly-owned subsidiary of our Company
"%"	per cent.

In this prospectus, the terms "associate," "connected person," "connected transaction" and "controlling shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with "" and the Chinese translation of company names in English which are marked with "*" is for identification purpose only.*

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"average utilization hours"	the gross generation in a specified period divided by the weighted average installed capacity in such period
"cascade hydropower plants"	a series of ladder-like hydroelectric power stations that are constructed along the upper, middle and lower stream of a river
"EECS business"	electrical engineering construction service and related business, which includes the construction, installation, testing and maintenance of power facilities and related sales of electric equipment and materials
"electricity sales"	for a specific period, the amount of electricity sold to customers
"gross generation"	for a specified period, the total amount of electricity produced by a power plant in that period
"GW"	gigawatt, a unit power. 1 GW=1,000 MW (also see "MW")
"installed capacity"	the rated output capacity of a power generation equipment
"km"	kilometer, a unit of length. 1 km = 1,000 m
"kV"	kilovolt, a unit of voltage. 1 kV = 1,000 V (also see "V")
"kVA"	kilo-volt-ampere, a unit of apparent power for transformer capacity. 1 kVA = 1,000 VA
"kW"	kilowatt, a unit of power. 1 kW = 1,000 W (also see "W")
"kWh"	kilowatt-hour, a unit of energy. One kilowatt-hour is the amount of electric energy consumed by an electrical appliance with power of one kilowatt after usage for one hour or the amount of electric energy generated by a power generator with power of one kilowatt within one hour

"line loss rate"	the percentage of electricity loss (load capacity) during the transmission and distribution of electricity within the power supply system (including, among others, line loss and equipment loss) in the electricity supplied (load capacity)
"m^3"	cubic meter(s), a unit of volume, which equals the volume of a cube having edges where each edge is one metre in length
"MW"	megawatt, a unit of power. 1 MW = 1,000 kW (also see "W")
"MWh"	megawatt-hour, a unit of energy. 1 MWh = 1,000 kWh (also see "kWh")
"net generation"	gross power generation less electricity consumed by a power generating plant in the course of electricity generation and distribution
"on-grid tariff"	the selling price of electricity for which a power generating plant could sell the electricity it generates to the power grid companies, usually denominated in RMB per kWh
"power purchase and sales agreement"	a power purchase and sales agreement entered into between a power producer/supplier and a power grid company
"power supply" or "power supply business"	consists of the business of electricity distribution and sales
"reservoir"	an artificial lake formed by dams constructed at the gorge of ravines or rivers
"transformer substation(s)"	the facility(ies) that transform voltage and distribute power
"V"	a basic unit of voltage in the international system of units
"voltage"	also known as electric potential difference, a basic term describing electricity
"W"	watt, a national unit of power, which represents the rate of power transformed, used or consumed per second (as measured by joule)

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

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our operations and business prospects;
- our financial condition and performance;
- our capital expenditure plans;
- the actions and developments of our competitors;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- 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 we operate;
- general political and economic conditions, including those related to the PRC and other relevant jurisdictions in which we have or intend to have business operations;
- various business opportunities that we may pursue;

- macro-economic measures adopted by the PRC government to manage economic growth; and

- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake 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 prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

> ***You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Company. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ significantly from that of other countries. For more information concerning the PRC and certain related matters discussed below, please see "Regulatory Environment," and "Appendix IV — Summary of Principal Legal and Regulatory Provisions"***

RISKS RELATING TO OUR BUSINESS

Our business growth depends greatly on the continuous economic growth of Yibin City. If the economic growth of Yibin City is below expectation or there is any material adverse change in the economic or social conditions, our business, results of operations and financial conditions may be materially and adversely affected.

We derive a substantial portion of our revenue during the Track Record Period from the sales of electricity to customers located in our power supply service area in Yibin City, Sichuan Province. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017, 2018, our revenue from power business accounted for approximately 89.2%, 86.1%, 83.2%, 87.2% and 87.3% of our total revenue, respectively. In addition, according to the Euromonitor Report, as of December 31, 2017, our service covered approximately 68.6% of the geographic area of Yibin City and approximately 57.3% of its entire population. If we experience a significant decrease in the demand of electricity from our customers in Yibin City due to deteriorating economic conditions, changes in technology or other factors beyond our control, such as the changes in regulatory requirements, we may face operational and financial risks. Our exposure to these operational and financial risks, if not properly managed and mitigated, may result in material and adverse effect on our business, results of operations and financial condition. In addition, according to the Thirteenth Five Year Plan, Yibin City is expected to become a major advanced manufacturing base in the upper Yangtze River Region. The government of Yibin City has planned to fully utilize the abundant local resources, including electricity. As such, the development of manufacturing industry is expected to increase the electricity demand and consumption in Sichuan Province and Yibin City. However, we cannot assure you that the economic development in Yibin City will continue to meet the expectation or there will not be any adverse changes in the local economy. If there is any material adverse change in the economic or social conditions of Yibin City as a result of the circumstances beyond our control, our business, results of operations and financial conditions may be materially and adversely affected.

We source electricity from external parties and we rely on a limited number of suppliers.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, approximately 77.3%, 76.4%, 80.0% and 86.4%, respectively, of the amount of our electricity supply was sourced from third-party suppliers. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the purchases from our five largest suppliers in the aggregate accounted for approximately 67.5%, 59.0%, 65.0% and 80.9%, respectively, of our total cost of purchase of electricity, and the purchases from our largest supplier accounted for approximately 43.6%, 32.5%, 33.7% and 41.5%, respectively, of our total cost of purchase of electricity. We typically enter into supply agreements with our suppliers, who, in general, do not set out any minimum commitment amount payable by us, and the price of electricity sold by our suppliers was relatively fixed and determined by the relevant PRC pricing authorities. In addition, in certain cases when there is a shortage of electricity in the areas where we operate our power business and when our largest electricity third-party supplier, State Grid Company, encounters difficulties in supplying electricity to us, State Grid Company may limit its electricity supply to us. If any of our major suppliers fail to comply with the relevant PRC regulations on pricing, or encounter any difficulties in supplying electricity to us, including, but not limited to, disruptions caused by natural disasters, or otherwise fail to supply electricity according to our requirements, it will be difficult for us to find alternative providers on a timely basis and on commercially reasonable terms. As a result, our daily operations and the implementation of our business plan could be interrupted and our business, results of operations and financial condition may be adversely impacted.

Reductions in the sales price of electricity may adversely affect our business, financial position or result of operations.

In general, the sales price of our electricity is approved or fixed by the relevant pricing authorities in China. On March 28, 2005, the NDRC issued the Notice on Publication of the Implementation of Reform of Power Tariff (《關於印發電價改革實施辦法的通知》) to provide guidance for the reform of tariff-setting mechanism. Under this notice, the tariff is classified into (a) on-grid tariff, (b) transmission and distribution tariff and (c) end-user tariff, among which, only end-user tariffs and on-grid tariffs are applicable to us. The PRC government is responsible for regulating and supervising power tariffs based on costs, investments and affordability of the local customers. On July 13, 2017, the NDRC has promulgated the NDRC No. 5 Announcement of 2017 (《國家發展和改革委員會公告2017年第5號》) to abolish the aforementioned notice. In April and May 2018, the Sichuan Development and Reform Commission issued the Notice on Publication of the Pricing Catalogue of Sichuan Province (《關於印發<四川省定價目錄>的通知》) and the Notice of Adjustment of the Provincial Power Grid Management Jurisdiction and Related Issues (《關於調整省屬電網電價管理權限有關事項的通知》) to regulate that the transmission and distribution price, power selling price of provincial power grid enterprises and the grid power price of such power generation entities dispatched by provincial power grid enterprises. Our subsidiaries, including Yibin Electricity, Xingwen Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity and Junlian Electricity, are included in the catalogue of the provincial power grid enterprises, which currently comply with the power tariff policies instituted by the Sichuan Development and Reform Commission.

We cannot assure you the sales price of electricity will not decline in the future. If there is any further significant reduction in our electricity sales price, it could have a material adverse effect on our business, financial position or result of operations.

We may be required by the government to suspend other hydropower plants in the future, which would materially and adversely affect our business, financial condition and results of operations.

As of June 30, 2018, Yibin Electricity had 10 hydropower plants with an installed capacity of 4,375 kW. However, according to the notices issued by the relevant PRC government authorities to promote the activities of the nature reserve development and construction, we are obligated to completely dismantle the power generation facilities and equipment of two of our hydropower plants located in the designated nature reserves as stipulated in the relevant notices, which were owned and operated by Yibin Electricity, by September 30, 2018. These two hydropower plants consisted of a total of five power generating units with an aggregate installed capacity of 2,300 kW. Accordingly, we have suspended the operations of these hydropower plants as of July 30, 2017. We subsequently conducted assets appraisal relating to such hydropower plants, which was completed in December 2017. On September 26, 2018, our Board passed a resolution to authorize Yibin Electricity to negotiate with the local government of Yibin City regarding compensation for the dismantling of such hydropower plants and proceed to dismantle such hydropower plants in accordance with the requirements of the local government.

For the year ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the gross profit generated by these two hydropower plants were RMB1.6 million, RMB1.6 million, RMB0.5 million and nil, respectively. On September 27, 2018, Yibin Electricity entered into separate compensation agreements with the local government in Yibin County, pursuant to which, we are entitled to a compensation amount of RMB10.3 million and RMB2.6 million for each hydropower plant to be demolished, respectively, which will be paid by the government of Yibin County to Yibin Electricity after the dismantling of the relevant assets. However, we cannot guarantee that the government will not require us to suspend operations and/or dismantle any of our remaining hydropower plants in the future. While the government has agreed to provide compensation for the suspension and dismantling of the two hydropower plants in Yibin County, there is no assurance that any future compensation will be sufficient to cover the cost of dismantling and future revenue to be generated by our other hydropower plants. In case we are required by the government to suspend any of our other hydropower plants in the future, our business, financial condition and results of operations could be materially and adversely affected.

Our power generation is dependent on hydrological conditions and we may face risks of business seasonality.

Our power business partly depends on our self-generated electricity. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, approximately 22.7%, 23.6%, 20.0% and 13.6%, respectively, of the amount of electricity supplied by us was generated from our hydropower plants, whose performance is dependent upon hydrological conditions prevailing from time to time in the regions where our hydropower plants are located. We cannot assure you that water flow at our plant sites will be consistent with our expectations, or that the climatic and environmental conditions will not change significantly from the prevailing conditions at the time our projections were made. Water flow varies each year or season and depends primarily on the levels of precipitation and seasonal changes.

Most of our hydropower plants in operation are located in Sichuan Province. Our hydropower generation normally peaks from June to October of each year when the levels of precipitation in Sichuan Province increase and the hydrological conditions prevailing at our plant sites become more favorable. Our existing and future hydropower plants may be subject to substantial variations in climatic and hydrological conditions, which may reduce water flow and thus, negatively affect our ability to generate electricity.

While we have selected and will continue to select our hydropower plant sites primarily based on their projected outputs, the actual water flow required to produce those outputs may not be sustained. If hydrological conditions at those plant sites result in prolonged droughts or other conditions that negatively impact our hydropower generation, or that if we are unable to counterbalance any decrease in the supply of electricity by third-party suppliers, our business, financial condition and results of operations could be materially and adversely affected.

During the Track Record Period, the average cost of our self-generated power was approximately RMB0.1391 per kWh while the average price of electricity purchased from third-party suppliers (excluding VAT) was approximately RMB0.3223 per kWh. If the amount of our self-generated power decreases due to less favorable hydrological conditions, we will be required to purchase additional electricity from third-party suppliers at a relatively higher price to satisfy customer demand. As a result, our total cost of sales could increase substantially, which could adversely affect our business, results of operations and financial condition.

We may not be able to recover our deferred tax assets.

As of December 31, 2015, 2016 and 2017 and June 30, 2018, our deferred tax assets amounted to RMB27.3 million, RMB28.9 million, RMB30.4 million, and RMB31.0 million, respectively. During the Track Record Period, our deferred tax assets were comprised of impairment provisions, depreciation allowances in excess of the related depreciation, government grants and others. For details of the movements of our deferred tax assets during the Track Record Period, please see note 26 in the Accountants' Report set out in Appendix I to this prospectus. Deferred tax assets are recognized for temporary deductible differences to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. Additional deferred tax assets may be recognized if it becomes probable, in our view, that future taxable profits will allow the deferred tax asset to be recovered. However, we cannot guarantee that we will be able to recover our deferred tax assets. In the event we are unable to recover these deferred tax assets due to a lack of taxable profits in the future or any other reason, our financial position could be materially and adversely affected.

Our borrowing levels, interest payment obligations and net current liabilities could limit the funds available to us for business purposes.

During the Track Record Period, we have relied on bank borrowings and corporate bonds and other borrowings to fund a substantial portion of our capital requirements, and we expect to continue to do so in the foreseeable future. Our total loans and borrowings amounted to RMB1,519.5 million, RMB1,190.8 million, RMB893.2 million and RMB925.1 million, as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. As a result, our gearing ratio, which equals to interest-bearing liabilities as of a date divided by total equity as of the end of the year, was 68.3%, 57.2%, 41.4% and 42.4% as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively. In addition, as of December 31, 2015, 2016 and 2017 and June 30, 2018, our net current liabilities amounted to approximately RMB678.0 million, RMB553.9 million, RMB738.3 million and RMB543.9 million, respectively. Our high level of indebtedness and net current liabilities could materially and adversely affect our liquidity. For instance, it could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings and thus, reducing the availability of our cash flow from operations to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- reduce our ability to obtaining financing in the future; and
- increase our exposure to interest rate fluctuations.

Our net current liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will mainly depend on our ability to maintain adequate cash generated from operating activities and sufficient external financing.

We cannot assure you that we will always be able to raise necessary funding to finance our current liabilities and other debt obligations and we may continue to have net current liabilities in the future. Our ability to arrange financing and the cost of such financing are dependent on the global and the PRC economic conditions, capital and debt market conditions, lending policies of the PRC government and banks, and other factors. In the event we are unable to obtain adequate financing to meet our working capital requirements, we may be forced to delay, adjust, reduce or abandon our planned strategies. Our business, prospects and financial condition may be materially and adversely affected if our cash flow and capital resources are insufficient to finance our debt obligations.

Our difference top-up undertaking in favor of Bohai International Trust Co., Ltd. may expose us to risks and liabilities.

On January 17, 2017, we entered into a fund establishment agreement with Bohai Trust, an Independent Third Party, among others, to establish Jinding Fund. We agreed to provide a difference top-up undertaking relating to the principal contributed by Bohai Trust and its investment returns in Jinding Fund. According to the undertaking, we agreed to indemnify Bohai Trust for its principal and expected investment returns in Jinding Fund in the event of a loss or a failure to obtain expected investment returns. On the same date, Sichuan Jinding, a connected person of our Company, issued a counter-guarantee undertaking in favor of us, pursuant to which Sichuan Jinding agreed to irrevocably provide counter-guarantee to our difference top-up undertaking of indemnity for Bohai Trust's principal and entitled investment returns. For further details of the difference top-up undertaking and the counter-guarantee undertaking, please see "Continuing Connected Transactions — Exempt Continuing Connected Transactions — Counter-guarantee provided by Sichuan Jinding" under the section headed "Connected Transactions."

Although Sichuan Jinding is an associate of Hydropower Group, one of our Controlling Shareholders, and thus, a connected person of our Company, we cannot assure you that Sichuan Jinding will honor its counter-guarantee undertaking in favor of us. In the event that Sichuan Jinding fails to honor the counter-guarantee undertaking in favor of us and is unable to continue to provide such counter-guarantee to us, we may have to pay up the full amount in case Bohai Trust defaults. The maximum liability which may arise from our difference top-up undertaking in favor of Bohai Trust is RMB240.2 million. If we are unable to honor the difference top-up undertaking in favor of Bohai Trust relating to its principal and investment returns, our reputation, business, results of operations and financial condition would be materially and adversely affected.

We are subject to risks associated with undertaking provided by Hydropower Group.

As part of the policy-directed projects for the benefits of the people (惠民工程), Hydropower Group participated in the rural power grid construction projects in our designated power supply area, including parts of the Seven Counties and Districts, which were implemented by and under the guidance of the PRC government. Hydropower Group shall, on behalf of the People's Government of Sichuan Province, invest in, operate and manage such assets with fiscal appropriation and unified loan funds. Hydropower transferred the construction fund relating to rural power grid projects amounting to approximately RMB878.0 million to us. The legal title to the construction funds or the rural power grid projects/assets constructed by using such construction funds have been transferred to us while such rural power grid construction funds have been recognized as State capital reserves benefits (國家獨享資本公積) solely enjoyed by Hydropower Group and such designation will remain unchanged after the Listing. Hydropower Group does not and will not enjoy any additional shareholder rights by reason of the rural power grid construction funds being categorized as State capital reserves benefits, in particular, it does not enjoy any special voting rights or privileges, which are generally not available to our other Shareholders. The State capital reserves benefits may be converted into the Shares of our Company, with the approval of two-thirds or more affirmative votes at a general meeting of our Shareholders. Hydropower Group has provided an undertaking to us in writing on September 26, 2017, pursuant to which it has irrevocably and unconditionally undertaken, among others, not to (i) withdraw the State capital reserves benefits from our Company in any way or request our Company to pay back the State capital reserves benefits; or (ii) transfer the State capital reserves benefits or request to convert the State capital reserves benefits into equity interests of our Company or any other companies within our Group. If Hydropower Group does not honor such undertaking, our business and results of financial condition would be materially and adversely affected.

We, Hydropower Group and one of our subsidiaries are currently subject to an infringement lawsuit pursuant to which we could be held jointly liable for a large amount of damages.

On January 11, 2018, Qinglin Mining filed a lawsuit with Yibin Intermediate Court against Hydropower Group, us and one of our subsidiaries, Gong County Electricity, (collectively, the "Co-defendants"), claiming that in the course of carrying out the rural power grid construction projects in the Construction Areas in 2015, the Co-defendants had infringed the mining rights of Qinglin Mining for certain minerals in the Construction Areas and consequently, Qinglin Mining sought to obtain aggregate damages in the amount of approximately RMB39.6 million from the Co-defendants. Please see the section headed "Business — Legal and Regulatory Compliance — Legal Proceedings" in this prospectus for more details. While we and Gong County Electricity as well as Hydropower Group separately submitted applications for objection to jurisdiction, Yibin Intermediate Court ruled against our and Hydropower Group's objection to jurisdiction in January 2018. In February 2018, we and Gong County Electricity as well as Hydropower Group separately appealed such decision to Sichuan Higher People's Court. On June 12, 2018, the Sichuan Higher People's Court made a ruling and upheld the original ruling by Yibin Intermediate Court. However, on August 8, 2018, Yibin Intermediate Court ruled that the trial of the case shall be suspended pending the final decision by the Gong County Land and Resources Bureau in connection with the proposed revocation of the mining licenses held by Qinglin Mining due to its failure to make the requisite payments. If the PRC court ultimately adjudicates against us or our subsidiary in the future, we could ultimately be held liable, which could materially and adversely affect our business, results of operations and financial condition.

Share of results of our associates may affect our Group's result of operations in the future, which may expose us to liquidity risks associated with our investments in our associates.

As of the Latest Practicable Date, our Group had certain equity interest in the following associated companies, namely, Emeishan Jinkun Micro-credit Co., Ltd*. (峨眉山市金坤小額貸款有限公司) (20.0% owned by our Group), Yibin Nanxi District Jinkun Micro-credit Co., Ltd.* (宜賓市南溪區金坤小額貸款有限公司) (25.0% owned by our Group), Pingshan Jinping Real Estate Development Co., Ltd.* (屏山金屏房地產開發有限公司) (49.0% owned by our Group), Xuyong County Jiangmen New District Electricity Development Co., Ltd*. (敘永縣江門新區電力開發有限責任公司) (49.0% owned by our Group) and Sichuan Yibin Electricity Co., Ltd.* (四川宜賓電力有限公司) (30.0% owned by our Group).

All of the associates are accounted for using the equity accounting method in the consolidated financial statements of our Group. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the aggregate carrying amount of our investments in all of the associates amounted to RMB187.1 million, RMB184.7 million, RMB216.5 million and RMB256.7 million, respectively. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we recorded share of profits of associates in an aggregate amount of RMB13.0 million, RMB9.5 million, RMB10.7 million and RMB2.4 million, respectively. While our investments in these associated companies generated profits during the Track Record Period, we cannot assure you that such investments will continue to generate profits for us in the future.

Our recoverability of the investments in associated companies primarily depends on the dividend distributed by these associated companies. Even if profits derived by the associated companies are recognized in the financial statements of our Group under equity accounting method, there will be no cash inflow to us until dividends are distributed by such associated companies.

The businesses of certain of our associated companies are subject to extensive governmental regulations and are susceptible to policy changes. Any failure of our associated companies to fully and timely comply with the applicable laws and regulations may adversely affect our ability to receive anticipated returns from our investments.

During the Track Record Period, we made investments in Emeishan Jinkun Micro-credit Co., Ltd (20.0% owned by our Group) and Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (25.0% owned by our Group), which are micro-credit companies. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amount of our investments in Emeishan Jinkun Micro-credit Co., Ltd. and Yibin Nanxi District Jinkun Micro-credit Co., Ltd. amounted to RMB157.8 million, RMB155.6 million, RMB157.6 million and RMB150.8 million, respectively.

Micro-credit industry in China is subject to extensive laws, rules, regulations, policies and measures at the national, provincial, municipal and local levels. These laws, rules, regulations, policies and measures are issued by different levels of government authorities, which may require the micro-credit companies in the PRC to obtain and maintain various licenses and approvals from time to time. In addition, since China's micro-credit industry is an emerging sector, the applicable laws, regulations and policies governing the industry have evolved in recent years. We expect that there may be further changes and amendments associated with such regulatory requirements. Any new developments in the laws, rules, regulations, policies and measures governing the micro-credit industry, including the developments at the national, provincial or local level, could change or replace currently applicable laws, rules, regulations, policies and measures. If any of these associated companies fail to obtain or maintain any of these licenses or approvals, it may be subject to fines and/or penalties which may reduce their profitability. Even if these associated companies obtain the requisite licenses or approvals from the competent government authorities, such licenses or approvals may be granted on a limited basis or subject to modification of the businesses and/or products of such associates, which could increase their operating costs and reduce their profitability. Extensive government regulations and the possible delays in seeking the appropriate licenses or approvals can also significantly delay the implementation of their business expansion plans or introduction of new loans and loan-related products, which could materially adversely affect our associated companies' market competitiveness, profitability and prospects, and in turn, adversely affect our ability to receive anticipated returns from our investment into these associated companies.

In addition, during the Track Record Period, we made investment in Pingshan Jinping Real Estate Development Co., Ltd. (49.0% owned by our Group), which is a real estate company. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the carrying amount of our investments in Pingshan Jinping Real Estate Development Co., Ltd. amounted to RMB13.7 million, RMB13.4 million, RMB13.7 million and RMB13.7 million, respectively. PRC property developers must comply with various requirements mandated by the PRC laws and regulations, including, but not limited to, the policies and procedures established by the local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as the control over the supply of land for property development, the control of foreign exchange, available financing to property developers and purchasers, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and purchasers, impose additional taxes and levies on property sales and restrict foreign investment in the PRC property sector. Many of the property industry policies carried out by the PRC government are unprecedented and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments and changes to such policies and measures. Furthermore, the PRC government frequently adjusts fiscal and monetary policies to prevent and curtail the overheating of the PRC and local economies, and such economic adjustments may affect the property market in China, which could materially adversely affect our associated company's business, financial condition and results of operations. If our associated companies cannot fully and timely comply with the applicable laws and regulations or at all, our ability to receive anticipated returns from our investment into these associated companies could be adversely affected.

Furthermore, during the Track Record Period, we also made investment in Xuyong County Jiangmen New District Electricity Development Co., Ltd. (49.0% owned by our Group) and Sichuan Yibin Electricity Co., Ltd. (30.0% owned by our Group), which are electricity companies. As of December 31, 2015, 2016 and 2017 and June 30, 2018, the aggregate carrying amount of our investments in Xuyong County Jiangmen New District Electricity Development Co., Ltd and Sichuan Yibin Electricity Co., Ltd. amounted to RMB15.6 million, RMB15.6 million, RMB45.2 million and RMB92.2 million, respectively. You should read the various risk factors under "— Risks Relating to Our Industry" and "Regulatory Environment — Regulations on the Power Industry" in this prospectus for more risks and uncertainties relating to the extensive PRC regulations in power industry. If our associated companies failed to comply with the applicable laws and regulations, our ability to receive anticipated returns from our investment into these associated companies could be adversely affected.

We are subject to risks associated with changes in preferential tax treatment.

We are subject to various PRC taxes, including the current statutory PRC enterprise income tax rate of 25%, as determined in accordance with the relevant PRC tax rules and regulations. PRC tax laws and regulations provide certain preferential tax treatments applicable to different enterprises, industries and locations. Some of our subsidiaries are currently taxed at preferential rates of 15% due to the nature of our business activities and/or the location of our business in Southwestern China. In addition, certain amount of our profit during the Track Record Period was non-taxable as we made investments in qualified public infrastructure power transmission and transformation related assets during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our effective tax rate was 11.6%, 13.4%, 13.0% and 13.4%, respectively. These preferential tax treatments, in aggregate, had resulted in tax savings in the amount of RMB15.0 million, RMB18.9 million, RMB18.2 million and RMB12.7 million for the year ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. For details of the financial impact of the tax effect on the preferential tax rate and the tax effect on non-taxable profit resulting from the abovementioned preferential tax treatments during the Track Record Period, please refer to the "Appendix I – Income Tax in the Consolidated Statements of Profit Or Loss – Reconciliation Between Tax Expense And Accounting Profit at Applicable Tax Rates" in this prospectus. Any change or elimination of such preferential tax treatments may materially and adversely affect our results of operations and financial condition.

We may encounter difficulties in identifying suitable acquisition opportunities and our estimated return on acquisitions may not be accurate or may not materialize at all.

As part of our business strategy, we intend to decrease our cost of sales and expand our business by acquiring hydropower plants and other power companies. Our ability to implement our acquisition strategy will depend on a number of factors, in particular, our ability to identify suitable acquisition targets and to reach agreements with sellers for acceptable consideration on commercially reasonable terms. As we face competition in acquiring hydropower stations in Sichuan Province, we expect that identifying and acquiring hydropower stations with commercially reasonable terms may become increasingly difficult in the future. If we are unable to acquire suitable hydropower plants and power companies in Sichuan Province, our business will continue to remain dependent upon a limited number of existing hydropower plants, which could limit our ability to reduce our cost of sales and expand our business.

In addition, in performing the investment analysis and feasibility studies for our acquisition targets, we consider numerous factors, such as: (i) the demand for power and the growth potential in targeted areas; (ii) the increase in power generation capacity in targeted areas; (iii) the average on-grid tariff and profit performance of hydropower plants of similar types and capacity; (iv) the electricity sales price policy; and (v) the facilities and technologies of power generation and distribution. The assumptions we use to perform our internal investment analyses and feasibility studies may not be accurate or complete. If any one of our observations or assumptions proves to be inaccurate, our estimated return on acquisitions may not be precise or may not materialize at all. Any of the events mentioned above could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are subject to fair value exposure of other financial assets and the related valuation uncertainty due to the use of unobservable inputs.

For financial reporting purposes, fair value measurements are categorized into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

During the Track Record Period, the fair value of our other financial assets were determined using the forecast future cash flow discounted by risk-adjusted discount rate and were categorized as level 3 of fair value measurement. When estimating fair value of our other financial assets using the above valuation techniques, we consider unobservable inputs include, among other things, risk-adjusted discount rate comprises of risk free rate and risk premium of the comparable financial assets and the liquidity discount. Changes in these unobservable inputs will affect the estimated fair value of our level 3 financial assets at the end of each of the financial reporting year/period and therefore, these assets will face uncertainty in accounting estimation. For the years ended December 31, 2015, 2016, 2017 and six months ended June 30, 2018, the fair value changes of our other financial assets amounted to approximately RMB2.3 million, RMB4.7 million, RMB19.8 million and RMB8.8 million, respectively.

The businesses or projects we develop or invest in the future may not be as profitable as we expect, or at all, and may subject us to additional risks and liabilities.

The businesses that we develop or invest in may not be as profitable as we expect, or at all. Investments that we carry out in the future may cause us to incur liabilities, or result in the impairment of goodwill or other intangible assets or incur other related expenses. Business expansion carried out through investments could also expose us to successor liability and litigation resulting from the actions of the company in which we made an investment before or after the investment. The due diligence that we conduct in connection with an investment may not be sufficient to discover unknown liabilities or defects, and any contractual guarantees or indemnities that we receive from the sellers of the companies we have invested in may not be sufficient to protect us from, or compensate us for, actual liabilities or defects, and our forecast on potential demand may not meet the actual demand at such locations. Any material liability associated with an investment could adversely affect our reputation and reduce the benefits of the investment. In addition, if any one of our observations or assumptions proves to be inaccurate, our estimated return on investment may not be accurate or may not materialize at all.

A portion of the proceeds from the Global Offering will be utilized for the construction of a higher voltage power supply network, the automation of our power grid and the informatization of our operation and management, whose return of investment involves risks and uncertainties.

We plan to strengthen our power supply network in various counties in Yibin City where we operate by constructing higher voltage power supply network facilities. We expect to incur capital expenditure of approximately RMB101.4 million, RMB211.3 million and RMB250.0 million in 2018, 2019 and 2020, respectively. We expect to fund such capital expenditure with the net proceeds from the Global Offering. The success of our planned expansion and business growth will depend on the availability of additional funding for the planned expansion and our working capital management. If we fail to secure additional external financing to meet our capital expenditure plans, our capital liquidity may be restrained, which may adversely affect our financial condition and performance of operation.

Currently, our power supply network across our power supply service area is not fully computerized. Any resulting lack of efficiency in power distribution coordination may cause us to incur unnecessary expenditure in maintenance or additional human resources cost. Therefore, we plan to upgrade and fully computerize our existing power grid to improve our operating efficiency. Of our expected capital expenditure for the next several years, we expect to incur capital expenditure of approximately RMB18.6 million, RMB8.6 million and RMB5.0 million in 2018, 2019 and 2020, respectively, to construct a new centralized power dispatch control center. We expect to fund such capital expenditure with the net proceeds from the Global Offering and bank borrowings.

Our facilities building plan and our system upgrading scheme may not be successfully implemented without delay or at all. Any failure or delay in implementing any part of these plans may result in a lack of capacity to support our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations. In addition, our forecast of future electricity demand in regions where we operate our business may be misguided and therefore, we may not be accurate in predicting the return of investment of our power network construction. Our expansion is subject to unforeseeable changes in the supply and demand and relevant government regulations in local electricity market. Accordingly, we may not be able to derive the amount of revenue we expect from this market expansion strategy.

We face the pressing necessity to upgrade our existing power supply network due to increasing demand and we may not succeed in developing our business if we fail to upgrade or procure new equipment at reasonable cost, maintain a sufficient skilled labor force or ensure stable power supply.

We expect an increase in electricity demand in regions where we operate our business, according to the Euromonitor Report. As the overall standard of living and income improve in Sichuan Province, the demand of residential electricity use for household appliances, among other things, is also expected to increase. Under such circumstance, our Group aims to upgrade our power supply network in response to the increasing demand of power use. We primarily plan to construct a higher voltage power supply network in our power supply service area. We anticipate that such power supply network upgrade will optimize the efficiency of our power distribution and improve our power supply capacity in Yibin City. Please see the paragraph headed "Financial Information — Capital Expenditure and Capital Commitments — Capital Expenditure" in this prospectus for our expected capital expenditures for the construction of such higher voltage power supply network for the three years ending December 31, 2020. However, the construction, operation and maintenance of the higher voltage power supply network requires more sophisticated engineering technology and monitoring that we need to master. Therefore, we, with our existing capacity for operation and manpower, may not be able to successfully overcome the technical and management challenges that we may encounter. The success in such facility upgrade depends on whether or not we are able to recruit additional technology personnel and to procure necessary equipment at financially reasonable terms. We cannot assure you that we will be able to meet those requirements. Furthermore, there is no guarantee that our business will not be subject to disruptions or failures caused by the upgrade of our current power distribution facilities, which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

We operate in a capital-intensive business, and a significant increase in the capital expenditures could have a material adverse effect on our business, financial condition or results of operations.

We have significant power network construction and acquisition capital expenditure requirements, and the recovery of the capital investment in our network construction occurs over a long period of time. In particular, the capital expenditures required to develop and construct a higher voltage power supply network generally vary based on the cost of the necessary fixed assets. The price of key equipment and/or power facility constructions may increase if the market demand for such equipment or works is greater than the available supply, or if the prices of key component commodities used to build such equipment were to increase. Other factors affecting the amount of capital investment required include, among other things, finance expenses. A significant increase in the costs of developing and constructing our power supply network could have a material adverse effect on our ability to achieve our expansion targets and on our business, financial condition and results of operations.

We cannot assure you that, at the time of developing our new power supply network and our acquisitions, we will be able to secure financing from reliable sources on commercially viable terms to fund our projects, or at all. If we fail to obtain adequate financing, our ability to expand our business may be hindered and the prospects of our future operations may be materially and adversely affected.

Our growth strategy depends in part on our ability to manage our future development effectively, which, if unsuccessful, could result in material adverse impact on our business, financial condition, results of operations and prospects.

Our growth strategy is dependent in part on our ability to manage our future development, such as our ability to successfully expand our business, to hire, train and retain new personnel, to establish and maintain adequate financial control and prudence relating to the funding of such projects, and to manage a growing and larger operation. We cannot assure you that we will be able to (i) expand our power business effectively and efficiently, or in a timely manner; (ii) allocate adequate human resources; (iii) identify, hire and retain qualified personnel; (iv) maintain amicable relationships with our major electricity suppliers; or (v) manage our expanded hydropower projects centrally and efficiently. If we fail to effectively manage our growth, our results of operations, financial condition and business prospects could be materially and adversely affected. Moreover, we currently only operate our power business in certain areas of Yibin City, and there is no assurance that any expansion beyond our current location will be approved by the relevant government authorities, successfully implemented and integrated.

Failure to effectively manage our inventory level could adversely affect our business, financial condition and results of operations.

As at December 31, 2015, 2016 and 2017 and June 30, 2018, the balance of our inventories, which comprised of raw materials and spare parts and others in connection with our EECS business, was RMB25.5 million, RMB33.5 million, RMB32.1 million and RMB45.5 million, respectively. Our inventories increased by 41.6% to RMB45.5 million as of June 30, 2018 from RMB32.1 million as of December 31, 2017 mainly due to an increase in the number of electrical engineering construction projects we undertook, which required additional construction-related raw materials. Our inventories increased by 31.1% to RMB33.5 million as of December 31, 2016 from RMB25.5 million as of December 31, 2015, primarily due to an increase in raw materials as a result of the additional business expansion projects we undertook in connection with our EECS business in 2016. Excessive inventories increase the risk of inventory obsolescence, which could result in corresponding inventory write-downs and write-offs due to the aging of the inventories. Our ability to manage the inventory level effectively may have a material impact on our EECS business and our results of operations. Any failure to effectively manage our inventory levels could materially and adversely affect our business, financial condition, results of operations and liquidity.

The operations of our business may be adversely affected by the failure of key equipment, power facility constructions or power supply systems, which could result in loss of revenue and increased maintenance costs.

The breakdown of power generating equipment or power supply network, or failure of other key equipment or power facilities in our power generating plants, could disrupt the generation of electricity and result in reduced revenue for us. Furthermore, any breakdown or failure of our power supply systems could interrupt the distribution of electricity by a power generating plant to the local power grid. In addition, if the power grid fails, we will not be able to deliver electricity to our customers until necessary repairs are carried out. Some of our power plants were constructed a long time ago. Older power generating equipment may require significant capital expenditure to properly maintain and efficiently operate. Such equipment is also likely to require periodic upgrades and improvements. The breakdown or failure of our power generating plants and/or of our power distribution systems may also prevent us from fulfilling our obligations under the applicable power purchasing and supply agreements. These events may reduce our ability to generate and distribute electricity to our customers and thereby, adversely affect our reputation, which could result in a loss of revenue and increased maintenance costs.

Our business and operations are extensively regulated by and subject to inspections and examinations by relevant PRC regulatory authorities.

Our business and operations are subject to extensive regulation by relevant PRC government authorities, such as SASAC, NDRC, NEA, and the Ministry of Environmental Protection of the PRC, as well as their provincial and local counterparts. Government regulations address virtually all aspects of our operations, including, among others, the following:

- planning and construction of new power projects;
- the granting of permits relating to our operations;
- the power network voltage qualification rate and electricity supply reliability;
- the setting of on-grid tariffs charged by power suppliers and end-user tariffs paid by customers of electricity;
- environmental protection and safety standards; and
- taxes, in particular, enterprise income tax and VAT.

Our compliance with regulatory requirements is significant to our business. A breach of laws or regulations to which we are subject may result in serious consequences, including, but not limited to, the imposition of fines, penalties or suspension or revocation of permits or licenses. Complying with the extensive rules and requirements may require us to incur significant compliance costs, which could increase our operating and maintenance costs and expenses and materially and adversely affect our business and results of operations.

In addition, we are subject to examination, investigation and audit by the PRC regulatory authorities. If, as a result of any such audit, material irregularities or other instances of non-compliance were found to have been committed by us, we may be subject to fines and other administrative penalties, which may adversely affect our reputation, as well as our business and prospects.

We may experience delays or defaults in accounts receivable.

We typically determine payments for each customer with reference to the amount of their power usage, and demand payments after we collect such information. Therefore, we generate accounts receivable after the completion of power supply. During the Track Record Period, we have experienced delays or impairment in accounts receivable from our customers. For the years ended December 31, 2015, 2016 and 2017, impairment loss of trade and other receivable, including contract assets was recognized amounted to approximately RMB25.3 million, RMB15.7 million, RMB1.2 million, respectively. Impairment loss reversed for the six months ended June 30, 2018 amounted to approximately RMB2.2 million.

In the event that we encounter delays or defaults in the payments of our accounts receivable by customers, our cash flow will be adversely affected and we will incur additional impairment allowances, which would adversely affect our financial performance. We may even have to obtain additional external financing to maintain our daily operations. We cannot assure you that the outstanding accounts receivable will be remitted to us by our customers on a timely basis, or that any delay or default in their payment will not affect our business, financial condition and results of operations.

Our business may be affected by fluctuations in interest rates.

We are exposed to interest rate risk resulting from the fluctuations in interest rates on our loans. Changes in interest rates affect our finance expenses and, ultimately, our results of operations. As we rely on external financing to support the expansion of our business, we are sensitive to the cost of capital in securing these loans. Our finance costs were RMB71.0 million, RMB50.9 million, RMB41.4 million and RMB16.6 million, respectively, for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018. During the Track Record Period, the PBOC lowered the bench mark lending rates in China several times. Lending interest rates may vary in the future if the PRC government decides to change its monetary policy. If the PBOC were to raise benchmark lending rates, our finance expenses would increase, which would have a material adverse effect on our business, financial condition and results of operations.

Electrical engineering construction projects we undertake may not be completed on time or may be subject to cost overruns.

Several factors may lead to material construction delays or cost overruns in connection with the electrical engineering construction projects we undertake, including:

- the lack of key equipment, materials or labor due to shortages or delivery delays;
- increases in the cost of key equipment, materials or labor;
- quality problems with key equipment and materials;
- unexpected construction, design, environmental or geological problems and other force majeure events; and
- the failure to obtain sufficient bank loans or other financing on favorable terms, or at all.

We cannot assure you that the construction of our projects will be completed on time. Any failure or delay during the construction of a project could result in a delay or a reduction in payment by the project owners to us, or even cost overruns, and have a material and adverse effect on our business, financial position and results of operations.

In addition, substantially all of our electrical engineering construction contracts are subject to specific completion schedule requirements with liquidated damages charged to us if we do not achieve the schedules. Liquidated damages are typically levied at an agreed rate for each day of delay that is deemed to be our responsibility. Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit on the relevant contracts and could materially and adversely affect our liquidity and cash flows and have a material and adverse effect on our business, financial position and results of operations.

We rely on certain key management and technical personnel, and our Group may face difficulty in acquiring necessary management talents and technicians.

Our operations depend on our ability to attract and retain experienced and qualified personnel, including executive officers and key technical personnel, who have the necessary and required experience, knowledge and expertise in the PRC power supply industry. Competition for qualified personnel is intense in the PRC. We may lose these personnel to those competitors who are able to offer more competitive packages, or we may have to significantly increase our related operating costs. Our future operating results will depend on our management's ability to maintain effective control over a large and diversified workforce. To the extent that we are unable to recruit personnel with the necessary skills locally, the attention of our management could be diverted. If we cannot recruit and retain the employees necessary to perform necessary corporate activities, our business, financial position and results of operations may be adversely affected.

We or our landlords do not possess the land use rights certificates or building ownership certificates in respect of certain land and buildings owned or leased by us.

As of the Latest Practicable Date, we occupied 213 parcels of land in the PRC (excluding leased properties) with a total site area of approximately 2,329,086.33 sq.m., of which we are currently in the process of obtaining the relevant land use rights with respect to nine parcels of land with a total gross site area of 16,440.38 sq.m., representing approximately 0.67% of the total site area of the lands occupied and used by us. As of the same date, we occupied 401 buildings (excluding leased properties) with a total gross floor area of approximately 151,451.83 sq.m., among which we were in the process of obtaining the relevant building ownership certificates with respect to nine buildings with a total gross floor area of approximately 3,214.89 sq.m., representing approximately 1.96% of the total gross floor area of the buildings we used.

In addition, as of the Latest Practicable Date, we leased 55 properties with a total gross floor area of approximately 12,700.49 sq.m., among which the owners of 43 buildings with a total gross floor area of approximately 3,670.10 sq.m. have not obtained the relevant building ownership certificates, representing approximately 2.24% of the total gross floor area of the buildings we occupied and used. According to our PRC Legal Advisors, in the event such landlords not have valid building ownership certificates, the relevant lease agreements may be deemed invalid or we may face challenges from property owners or other third parties to the lessor's rights. In the event this occurs, we may be forced to relocate the affected premises and incur additional expenses.

We have not registered our lease agreements with the relevant government authorities. Under the applicable PRC laws and regulations, we may be required to register and file with the relevant government authorities executed leases. According to our PRC Legal Advisors, while the lack of registration will not affect the validity and enforceability of the lease agreements under the applicable PRC laws, a fine ranging from RMB1,000 to RMB10,000 may be imposed on the parties for each non-registered lease.

Moreover, we have obtained the land use rights to use certain parcels of land that are state-allocated land, which cannot be transferred or pledged for obtaining financing. Although we have obtained the confirmation from the relevant county government that we have the right to continue to use such parcels of land without paying any consideration, we are still subject to the risk that these relevant PRC land authorities may request us to return such state-allocated land.

We recognized large amounts of government grants as deferred income during the Track Record Period. If we fail to satisfy the conditions required to continue to receive such grants, our business, financial condition and results of operations could be materially and adversely affected.

We received grants as financial support for the construction of power grids and equipment for power supply from the local government, including grants relating to a resident relocation project and natural disasters. The government grants for the construction of the plants and equipment for power supply we recognized as deferred income in our consolidated statement of financial position as of December 31, 2015, 2016 and 2017 and June 30, 2018 amounted to RMB174.3 million, RMB166.1 million, RMB159.8 million and RMB156.3 million, respectively. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we recognized government grant as other income of approximately RMB6.7 million, RMB9.6 million RMB7.4 million and RMB3.5 million, respectively, representing approximately 5.6%, 7.1%, 5.2% and 3.2%, respectively, of our profits before taxation during the same periods. The relevant government authorities typically conduct periodic review our construction-related proposals and make decisions to allocate grants to us based on the satisfaction of various conditions in connection with such proposals. For details of such conditions, please see "Financial Information – Current Assets and Current Liabilities – Deferred Income" in this prospectus. In addition, as of December 31, 2015, 2016 and 2017 and June 30, 2018, we recorded RMB6.7 million, RMB6.8 million, RMB7.0 million and RMB7.0 million, respectively, in the current portion of the deferred income.

We cannot assure you that we will be able to obtain similar government grants in the future. If we are unable to continue to obtain government grants, the construction and operation of our pending power projects could be potentially delayed and our power project operations and other business could be adversely affected, which in turn, could materially and adversely impact our business, financial condition and results of operations.

We may incur additional costs if we become subject to additional environmental compliance requirements in connection with our business operations.

We are required to comply with PRC national and local regulations relating to environmental protection for the construction and operation of our hydropower plants. To the extent our hydropower plants may have been in compliance with the PRC environmental protection laws and regulations at the time they were constructed, there is no guarantee that the PRC government will not require retroactive application of current laws and regulations to them. Compliance with environmental regulations can result in significant costs, and non-compliance with respect to these regulations may result in negative impact on our enterprise image, potentially significant money damages and fines, as well as suspensions of our business activities. Furthermore, if more stringent regulations are adopted in the future, the costs of compliance with these new regulations could be substantial. If we fail to comply with any future environmental regulations, we may be required to pay substantial fines, suspend our power output or even cease operations, and our reputation, business, results of operations and financial condition may be adversely affected.

We may not be able to detect and prevent bribery or other misconduct committed by our employees or third parties.

Bribery and other misconduct including, among others, acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our customers and suppliers, in our ordinary course of business may be difficult to detect and deter and could subject us to litigation or harm our reputation. Although we are increasing our efforts to detect and prevent the misconduct of employees and third parties, it is not always possible to detect or deter such activities, the precautions we take to detect and prevent these activities may not be effective in all cases, and our internal control system may not be effective in preventing the occurrence of corruption, bribery or other illegal activities. The interpretation of the PRC laws and regulations by the PRC regulatory authorities or the courts may differ from ours and such regulatory authorities may even adopt additional anti-corruption laws and regulations and we may need to make changes to our operations, which may increase our operation costs. We cannot assure you that any misconduct of employees or third parties, if any, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our business, financial position and results of operations.

We will continue to be controlled by our Controlling Shareholders, whose interests may differ from those of our other shareholders.

Upon the completion of the Global Offering, Hydropower Group, Energy Investment Group and Sichuan Development Co. will own, directly and indirectly, an aggregate of approximately 39.03% of our Shares, assuming no exercise of the Over-allotment Option (or approximately 37.62% if the Over-allotment Option is exercised in full). Subject to our Articles of Association and applicable laws and regulations, our Controlling Shareholders will, through its representatives on our Board or by voting at the general meetings of shareholders, be able to influence our major policy decisions, including our senior management, business strategies and policies, the timing and amount of dividend distributions, any plans relating to material property transactions, major overseas investments, mergers and acquisitions, issuances of securities and adjustments to our capital structure, amendment to our Articles of Association and other actions that require the approval of our Board of Directors and shareholders. It is possible that differences in opinion may arise between our Controlling Shareholders and any of the remaining shareholders from time to time. We cannot assure you that our Controlling Shareholders will influence our Company to pursue actions that are in the best interests of the other shareholders.

We are subject to risks associated with "One Net" policy.

There have been news that "One Net" policy will be promulgated in Yibin City. As at the date of this prospectus, there were no PRC laws, regulations, rules or government documents explaining about the "One Net" policy. According to the confirmation issued by Sichuan SASAC in April 2018, such "One Net" policy was intended to realize the physical connection and operation of all power grids in Yibin City in order to enhance the overall power supply stability in Yibin City, which does not involve any merger and acquisitions or change of control of power assets. However, if there are formal laws, regulations, rules, or government documents, which are not consistent with our current understanding, promulgated in the future, our business and results of financial condition would be materially and adversely affected.

RISKS RELATING TO OUR INDUSTRY

We operate in a government-controlled industry, and we do not have control over the pricing of electricity sourcing and sales, which may affect our profitability.

Since April 2001, the PRC government has started to gradually implement a new on-grid tariff-setting mechanism based on the operating and capital costs of individual power plants as well as the average costs of comparable power plants. On July 9, 2003, the PRC government approved the Power Tariff Reform Plan (電價改革方案) and made it clear that the long-term objective of the reform is to establish a standardized and transparent tariff-setting mechanism.

On March 28, 2005, the National Development and Reform Commission formally promulgated the implementation of power price reform, including "Interim Measures on the management of electricity tariff Interim Provisions for the Administration of Grid Power Price (《上網電價管理暫行辦法》)," "Interim Provisions for the Administration of Power Transmission and Distribution Prices (《輸配電價管理暫行辦法》)" and "Interim Provisions for the Administration of Power Selling Prices (《銷售電價管理暫行辦法》)," specifying the authority over the management of power price, stipulating the pricing mechanism of on-grid tariffs price, transmission and distribution tariffs and end-user tariffs and standardizing the previous complicated system of power prices. However, the NDRC has promulgated the NDRC No. 5 Announcement of 2017 (《國家發展和改革委員會公告2017年第5號》) on July 13, 2017, pursuant to which the aforementioned implementation of power price reform has been abolished. After the abolishment of such implementation of power price reform, the Sichuan Development and Reform Commission has issued the Notice on Publication of the Pricing Catalogue of Sichuan Province (《關於印發<四川省定價目錄>的通知》) and the Notice of Adjustment of the Provincial Power Grid Management Jurisdiction and Related Issues (《關於調整省屬電網電價管理權限有關事項的通知》) in April and May of 2018 to regulate that the transmission and distribution price, power selling price of provincial and non-provincial power grid enterprises and the grid power price of such power generation entities dispatched by provincial and non-provincial power grid enterprises would be determined by the provincial pricing administrative authorities or the Sichuan Development and Reform Commission, as the case may be. Our subsidiaries, including Yibin Electricity, Xingwen Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity and Junlian Electricity, are included in the catalogue of the provincial power grid enterprises, we cannot estimate and know whether any power tariff management policies relating to the provincial power grid enterprises will be further promulgated by Sichuan Development and Reform Commission, or any kind of rules and regulations in respect of the power tariff management will be further promulgated by other PRC governmental authorities in the future. Such new policies, rules and regulations may materially affect our business, results of operations and financial condition.

For the existing hydropower plants in the PRC, including our hydropower plants, except as otherwise regulated by laws and regulations, the on-grid tariffs are currently subject to a review and approval process on a regular basis involving the relevant local government authorities, or even the NDRC, as the case may be. For more details, please see the section headed "Regulatory Environment — Regulations on the Power Industry" in this prospectus. Our Group has little influence on the setting of its tariff rate level. The tariff rates, except as otherwise regulated by laws and regulations, are set and announced by the relevant pricing bureau or development and reform bureau in accordance with the factors mentioned above.

In March 2015, the CPC Central Committee and the State Council issued a notice "Certain Opinions of the CPC Central Committee and the State Council on Further Implementation of System Reform in Electricity Industry (中發[2015]9號)《中共中央、國務院關於進一步深化電力體制改革的若干意見》)." Pursuant to this Opinion, the PRC government will gradually open up the market for competition, which we believe will enhance the influence of power companies in the determination of on-grid tariffs and end-user tariffs. Therefore, the competitive bargaining power on pricing may affect the development of our Company.

Because we source some electricity from external power plants at on-grid tariffs price, the extent to which we are able to lower our sourcing cost is limited. In addition, the price at which we sell electricity to end users is also subject to relevant PRC authorities' approval, and our ability to increase the sales price is highly restricted. If we are not able to maintain a reasonable difference between our cost and revenue, our profit growth prospects and our business at large may be materially affected.

We face uncertainties associated with the reforms of the PRC power industry and future changes in local government regulations and policies.

Operation of the power companies in China is subject to compliance with a wide range of general and specific PRC regulations covering planning, construction and operations of power plants, granting of power generation and supply permits, construction and operation of power grids, the setting of on-grid tariffs and end-user tariffs, power grid control and power dispatch, environmental protection and safety standards. For more details, please see the section headed "Regulatory Environment" in this prospectus.

The operations and profitability of our Group will be affected by any material changes in the PRC laws and regulations relating to the power industry. Our Group incurs costs in ensuring compliance with these regulations. An increase in the cost of compliance could increase our Group's operating costs and expenses and materially and adversely affect the results of operations of our Group.

In addition, the PRC power industry has experienced and is expected to continue to experience ongoing regulatory reforms. The uncertainties associated with the reforms and any corresponding regulatory changes such as the favorable policies in respect of, among others, tax rates, product price and sales enjoyed by our Group under The Development Guide Directory for Renewable Energy Industry (可再生能源產業發展指導目錄), may be abolished or become less favorable to our Group in the future, which may adversely affect our business and results of operations. In addition, the PRC government may adopt more stringent laws and regulations in the future to regulate the power industry, compliance with which may be expensive, and may adversely affect our financial condition and results of operation.

Under the PRC Renewable Energy Law (中華人民共和國再生能源法), Catalog for the Guidance of Foreign Investment Industries (外商投資產業指導目錄), the Thirteenth Five Year Plan and other relevant laws and regulations, promotion of clean energy power generation, including hydropower production, is one of the priorities for the development of China's power supply. If for any reasons, China removes such policy support, our business, financial condition and results of operations may be materially and adversely affected.

Our assets and operations are subject to hazards and/or accidents that are customary to the power industry, and our operation may be vulnerable to disruptions caused by natural and/or man-made disasters and accidents, and we may not have adequate insurance to cover all these hazards or accidents.

Our main assets include, among other things, hydropower plants, transformer substations, transmission and distribution lines and other equipment. Our major power generation facilities, power supply network and other equipment are located in southern Sichuan Province, which is a mountainous area in Southwestern China. Given our reliance on power generation, transmission and distribution across the mountainous areas of Yibin City, we may be more susceptible to the impact of geological disasters. Operating or maintaining these assets involves risks and hazards that may adversely affect our operations, including equipment failure, natural disasters, environmental hazards and industrial accidents.

Our power supply network and grid assets could be required to cease operation in the event of droughts, earthquakes, or even be damaged by floods. Water supply to our hydropower stations and reservoirs are vulnerable to natural disasters, including, but not limited to, earthquakes, typhoons, storms, tornadoes and floods, as well as disasters caused by human actions and other deliberate or inadvertent actions which may affect the availability of water flow to our hydropower plants. Sichuan Province, where most of our operating hydropower plants are located, is a region in China with relatively high seismic risk, such as the recent earthquake taking place in Jiuzhaigou County, Sichuan Province, on August 8, 2017. Earthquakes and other natural disasters are unpredictable and can significantly damage our access to water flow, our key equipment and the property of our electricity end-users. Under such circumstances, we may be unable to continue the operation of our business or to produce the level of electricity we anticipate.

These hazards can cause significant personal injury or death, severe damage to, and destruction of, property, plant and equipment, contamination of, or damage to, the environment and suspension of our business operations. We may also face civil liabilities or fines in the ordinary course of business as a result of damages suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws. We may also be prone to accidents that may cause severe injury or death of our employees that may result from our operation or maintenance and repair work carried out on our main assets, such as hydropower plants, transformer substations, grids and power supply network. For example, on July 12, 2015, one of our maintenance crew was electrocuted by accident when he was conducting a routine repair of an electric cable fault in a residential building within our power supply service area. For further details of such accident, please see the section headed "Business — Health and Safety Matters" in this prospectus.

We cannot assure you that we will be able to adequately control the impact of these events. In accordance with the industry practice in China, we do not carry business interruption insurance. We have entered into insurance policies to cover certain other risks associated with our business. While we believe this insurance coverage is commensurate with our business structure and risk profile, we cannot assure you that our current insurance policies will insure us fully against all risks and losses that may arise. For further details of the insurance we maintain, please see the section headed "Business — Insurance" in this prospectus. In addition, our insurers review our insurance policies annually, and we cannot assure you that we will be able to renew these policies on similar, or otherwise acceptable, terms, if at all. If we were to incur a serious uninsured loss, or a loss that significantly exceeded the limits of our insurance policies, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO THE PRC

The economic, political and social conditions of PRC and government policies could affect our business, financial condition, results of operations and prospects.

We conduct all of our businesses in China, all of our assets are located in China, and all of our revenue is derived from the power market in China. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC economy, which differs from the economies of developed countries in many respects, including but not limited to, government involvement, level of economic development, growth rate, foreign exchange controls and resources allocation.

Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC are still owned by the PRC Government. The PRC Government also has significant oversight over the economic growth of the PRC through various measures, including, among others, allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC Government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not benefit from some of these measures.

The PRC Government has the power to implement macroeconomic measures affecting the PRC economy such as the interest rate cuts to stimulate spending and economic growth. The macroeconomic measures adopted by the PRC Government to stimulate growth may not be effective as expected in sustaining the current growth of the PRC economy.

Since the global financial crisis and subsequent economic slowdown, the GDP growth in the PRC has slowed down. In 2015, the PRC's annual GDP growth rate was 6.9%, the lowest among 25 years since 1991. An economic slowdown in the PRC could materially and adversely affect the electricity markets in the PRC, which could adversely affect our financial condition and results of operations.

Our business and financial condition may be adversely affected by global and domestic economic conditions.

Our results of operations may be materially affected by economic conditions in China and elsewhere around the world. Although nations around the world have adopted various economic policies to mitigate the adverse influences caused by factors such as the slowdown of the world economy and the European financial crisis, it is uncertain how quickly the world economy would grow going forward. In addition, any tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. The difficult economic outlook has negatively affected business and consumer confidence and contributed to unprecedented volatility levels. We cannot predict the short-and long-term impacts of these events on our business and financial condition, which could be materially and adversely affected.

Uncertainties, with respect to the PRC legal system, could have a material and adverse effect on us.

Our business and operations are conducted in the PRC and are governed by the PRC laws, rules and regulations. The PRC legal system is based on written statutes and their interpretations by relevant legislative and judicial authorities. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the PRC government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, the PRC has not developed a fully-integrated legal system, and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involves uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, the PRC legal system is based, in part, on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until sometime after the violations. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and may result in substantial costs and the diversion of resources and management attention.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of the PRC and substantially all of our assets are located in the PRC. In addition, almost all of our Directors, Supervisors and executive officers reside in the PRC and their personal assets may also be in the PRC. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon us or most of our Directors Supervisors and executive officers. Moreover, it is understood that the enforcement of foreign judgments in the PRC is still subject to uncertainties. A judgment of a court from a foreign jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a corresponding treaty with China or if the judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requisite requirements. However, China does not have any such treaties with Japan, the United Kingdom, the United States and many other countries providing for the reciprocal enforcement of judgments, resulting in uncertainties in relation to the enforcement of foreign judgments against us or our Directors, Supervisors and executive officers.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law and our Articles of Association, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our operating subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

You will be subject to PRC taxation on dividends received from us.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of our Company ("non-PRC resident individual holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) dated June 28, 2011 issued by the SAT, the tax rate applicable to dividends paid to non-PRC resident individual holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. For additional information, please see "Appendix III — Taxation and Foreign Exchange — PRC Taxation" to this prospectus. In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon sale or other disposition of H Shares. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. To our knowledge, as of the Latest Practicable Date, although some H share-listed companies have started to withhold the 10% individual tax as to the dividend paid to non-PRC resident individual H shareholders, in practice the PRC tax authorities had not sought to collect individual income tax on gains obtained through dividend and sale or disposition of H shares in the open market. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company, subject to reductions under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to a Notice promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. See "Appendix III — Taxation and Foreign Exchange — PRC Taxation" for details. As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretation and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC enterprise holders' investments in H Shares may be materially and adversely affected.

Government control of currency conversion may adversely affect the value of your investments.

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is currently not a freely convertible currency. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on declared dividends, if any, on our H Shares. Under China's existing foreign exchange regulations, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with various procedural requirements.

However, if the PRC Government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, most of foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or to obtain foreign currencies for capital expenditures.

Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations.

We receive all of our payments from customers in RMB and will need to convert RMB into foreign currencies for the payment of dividends, if any, to holders of our Shares. The RMB is currently not a freely convertible currency. Under the PRC's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. We may not be able to pay dividends in foreign currencies to our Shareholders if the PRC Government takes measures in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

The exchange rate of Renminbi against U.S. dollars and other currencies fluctuates and is affected by, among other things, changes in the PRC's and international political and economic conditions and the PRC Government's fiscal and currency policies. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the value of Renminbi to fluctuate within a regulated band that is based on market supply and demand with reference to a basket of currencies. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On June 19, 2010, the PBOC announced that the PRC Government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. From January 2, 2015, Renminbi has depreciated against U.S. dollars, from approximately RMB6.2046 per U.S. dollar to RMB6.6166 per U.S. dollar on June 29, 2018. It is difficult to predict how the Renminbi exchange rates may change. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in further and more significant appreciation of Renminbi against U.S. dollars. We cannot assure you that Renminbi will not experience significant appreciation against U.S. dollars in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. Furthermore, we are also currently required to obtain the SAFE's approval before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of our foreign currency denominated revenue and assets and could materially and adversely affect our business, financial condition, results of operations and prospects.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may have a material adverse effect on our business operations, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics, including but not limited to those caused by avian influenza or swine influenza, severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5H1 subtype and H5N2 flu viruses, may restrict business activities in the areas affected and materially and adversely affect our business and results of operations. For example, in 2009 and 2013, there were reports of the occurrence of two types of avian influenza in certain regions of the world, including the PRC, where we operate our business. Moreover, the PRC has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, on August 8, 2017, an earthquake with surface wave magnitude of 7.0 took place in Jiuzhaigou County, Sichuan Province. Any future occurrence of severe natural disasters in the PRC may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics, or the measures taken by the PRC Government or other countries in response to such disasters and epidemics, will not seriously disrupt our operations or those of our clients, which may have a material and adverse effect on our business and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations between us and the Sole Global Coordinator on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our H Shares may be volatile. The following factors may affect the volume and price at which our H Shares will trade:

- actual or anticipated fluctuations in our revenue and results of operations;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by us or our Shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

There can be no assurance if and when we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Under the applicable PRC laws, dividends may be paid only out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. A decision to declare, or to pay, any dividends and the amount of any dividends will also depend on various factors, including, but not limited to, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, our Articles of Association, the Company Law and any other applicable PRC laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, regulatory restrictions and any other factors determined by our Board from time to time, to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See the section headed "Financial Information — Dividends and Dividend Policy" in this prospectus.

Since there will be a gap of several days between pricing and trading of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Future sales or perceived sales of substantial amounts of our securities in the public market, including any future public offering in the PRC, or re-registration of our Domestic Share into H Shares, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise capital in the future, and may result in dilution of your shareholdings.

The market price of our H Shares could decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings. A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See the section headed "Underwriting — Undertakings to the Stock Exchange pursuant to the Listing Rules" in this prospectus. After these restrictions lapse or if they are waived or breached, future sales or perceived sales of substantial amounts of our Shares, or the possibility of such sales by us, could negatively impact the market price of our H Shares and our ability to raise equity capital in the future.

Some facts, forecasts and statistics contained in this prospectus with respect to the PRC, its economies and the power industry are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

We have derived certain facts, forecasts and other statistics in this prospectus, particularly those relating to the PRC, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC. Such facts forecasts and statistics include the facts forecasts and statistics used in the sections entitled "Risk Factors," "Industry Overview" and "Business." Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

You should carefully consider all of the information contained in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and substantially all of our operations are conducted in the PRC, which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related matters discussed below, please see "Regulatory Environment," "Appendix IV — Summary of Principal Legal and Regulatory Provisions" and "Appendix V — Summary of Articles of Association."

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive directors must be ordinarily resident in Hong Kong. At present, there will be no executive Directors ordinarily resident in Hong Kong after the Listing. The senior management team of our Group is and will continue to be based in the PRC to attend to their respective duties. Further, as each of the executive Directors has a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in the PRC. Accordingly, we do not, and for the foreseeable future, will not, have a sufficient management presence in Hong Kong, for the purposes of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

For the reasons set out above, our Directors consider that it would be practically difficult, unduly burdensome and not commercially feasible for us to appoint two Hong Kong residents as executive Directors or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements set out in Rules 8.12 and 19A.15 of the Listing Rules. We have made arrangements to maintain effective communication between the Stock Exchange and us as follows:

(i) both of our Company's authorized representatives, Mr. Zeng Yong and Mr. Li Hui of our Company, will act as our principal channel of communication with the Stock Exchange. Each of Mr. Zeng Yong and Mr. Li Hui has confirmed that he possesses valid travel documents and can readily travel to Hong Kong to meet with the Stock Exchange within a reasonable time upon request of the Stock Exchange, if required. They will be readily contactable by home, office, mobile and other telephone numbers, email address and correspondence address (if the authorised representative is not based at the registered office), facsimile numbers, if available, and any other contact details prescribed by the Stock Exchange from time to time, and are authorized to communicate on behalf of our Company with the Stock Exchange;

(ii) both of the authorized representatives have means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and the Directors, our Company has implemented a policy whereby (a) each Director will provide his or her office phone numbers, mobile phone numbers, residential phone numbers, office facsimile numbers and email addresses to the authorized representatives; (b) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she travels; and (c) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and facsimile numbers to the Stock Exchange;

(iii) our Company, in accordance with Rule 3A.19 of the Listing Rules, has appointed China Tonghai Capital Limited (previously known as Oceanwide Capital Limited) as our compliance advisor, who will act as an additional channel of communication with the Stock Exchange. Our Company will ensure that China Tonghai Capital Limited shall have access at all times to its authorized representatives, Directors and members of the senior management. Our Company will also procure that such persons provide promptly to China Tonghai Capital Limited such information and assistance as it may need or may reasonably request in connection with the performance of the compliance advisor's duties as set forth in Chapter 3A and Chapter 19A of the Listing Rules. China Tonghai Capital Limited will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results and its annual report for the first full financial year following the Listing;

(iv) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or our Company's compliance advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance advisor; and

(v) each Director who does not ordinarily reside in Hong Kong has confirmed that either he or she possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

In these circumstances, our Company and its Directors do not envisage that there should be any difficulty for the Stock Exchange to contact (if required) any of the executive Directors and believe that the arrangements set out above are sufficient to maintain effective communication between our Company and the Stock Exchange. The Directors will ensure that disclosure of information and contact with the Stock Exchange will be made on a timely basis.

JOINT COMPANY SECRETARIES

Rule 8.17

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

Rule 3.28

Pursuant to Rule 3.28 of the Listing Rules, the secretary of our Company must be a person who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Institute of Chartered Secretaries;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he played;

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the Securities and Future Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Mr. Li Hui (李暉先生) and Ms. Wong Wai Ling (黃慧玲女士) as the joint company secretaries of our Company. Ms. Wong Wai Ling is a member of the Hong Kong Institute of Chartered Secretaries, and is qualified to act as a joint company secretary of our Company. On the other hand, Mr. Li Hui is not a certified public accountant as defined in the Professional Accountants Ordinance, a member of the Hong Kong Institute of Chartered Secretaries, nor a solicitor or barrister as defined in the Legal Practitioners Ordinance, as required under Rules 3.28 and 8.17 of the Listing Rules. However, the Directors consider that Mr. Li Hui, by virtue of his background and experience, is capable of discharging the functions of a joint company secretary. Mr. Li Hui joined our Group in September 2011 and is currently the secretary to the Board. Mr. Li Hui therefore has a thorough understanding of the daily operations, internal administration and finance of our Group. Mr. Li Hui has been actively involved in the Listing of our Company since the preparatory period and has been assisting the Board on governance matters. Mr. Li Hui also attended the training seminar regarding responsibility of directors of listed companies delivered by our Company's legal advisors as to Hong Kong laws to the Directors and senior management of our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on condition that we engage Ms. Wong Wai Ling, who possesses all the requisite qualifications required under Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Mr. Li Hui in the discharge of his duties as a company secretary and in gaining the "relevant experience" as required under Rule 3.28 of the Listing Rules. The waiver will be revoked immediately if Ms. Wong Wai Ling during the three-year period, ceases to provide assistance to Mr. Li Hui. Our Company will re-evaluate Mr. Li Hui's experience before the expiry of the three-year period. At the end of the three-year period, our Company would liaise with the Stock Exchange. Our Company should then be able to demonstrate to the satisfaction of the Stock Exchange that Mr. Li Hui, having had the benefit of Ms. Wong Wai Ling's assistance for three years, would have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

For further details about qualification and experience of Mr. Li Hui and Ms. Wong Wai Ling, please see the section headed "Directors, supervisors, and Senior Management" in this prospectus.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into, and expects to continue after the Listing, certain transactions which will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions.

For further details of such non-exempt continuing connected transactions, please see the section headed "Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus misleading.

CSRC APPROVALS

We have obtained approvals from the CSRC for the Global Offering and the making of the application to list the H Shares on the Stock Exchange on July 30, 2018. In granting such consent, the CSRC accepts no responsibility for our financial soundness or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering. The listing of our H Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in "Underwriting," subject to agreement on the offer price between us and the Sole Global Coordinator (on behalf of the Underwriters). The International Offering is expected to be fully underwritten by the International Underwriters. For further details about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or by his/her acquisition of Hong Kong Offer Shares be deemed to confirm, that he/she is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered for subscription or sale solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see the section headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option). Save as disclosed in this prospectus, no part of our Share is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them, you should consult an expert. It is emphasized that none of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, advisors, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them.

STABILIZATION

For details of stabilizing actions by the Stabilizing Manager, please see the section headed "Structure of the Global Offering — Stabilization" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

For details of the procedures for applying for the Hong Kong Offer Shares, please see the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain RMB amounts into Hong Kong dollars at specified rates.

No representation is made that the RMB amounts could actually be converted into any Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translation of RMB into Hong Kong dollars was made at the rate of RMB0.8876 to HK$1.0000, the exchange rate prevailing on December 3, 2018, set by the PBOC for foreign exchange transactions.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. ZENG Yong (曾勇先生) (*Chairman*)	No. 102, 1/F, Unit 1, Block 18, No. 788 Gongping Phoenix North Avenue Wenjiang District, Chengdu City Sichuan Province, the PRC	Chinese
Mr. WANG Heng (王恒先生)	No. 20-1 Binhe Road Wenjiang Town Gao County Sichuan Province, the PRC	Chinese
Mr. LI Hui (李暉先生)	No. 10, Unit 3, Building 2, No. 2, East Street, Tong Shan Bridge, Chengdu, Sichuan Province, the PRC	Chinese
Non-executive Directors		
Ms. HAN Chunhong (韓春紅女士)	Energy Department No. 1, Block 2, Bai Guang Road Xuanwu District Beijing, the PRC	Chinese
Ms. LI Yu (李彧女士)	No. 502, Unit 2, Building 603 Wangjing Dongyuan Chaoyang District Beijing, the PRC	Chinese
Mr. WANG Chengke (王承科先生)	No. 10, Unit 2, Block 1 No. 131 Minzhu Street Wenjiang Town Gao County Sichuan Province, the PRC	Chinese
Mr. ZHOU Yanbin (周燕賓先生)	No. 57, Block 5 No. 62 Renmin Road Cuiping District Yibin City Sichuan Province, the PRC	Chinese

Name	Residential Address	Nationality
Independent Non-executive Directors		
Mr. Kin Kwong KWOK Gary (郭建江先生)	14B, No. 20 Broadway Street Mei Foo Sun Chuen Kowloon, Hong Kong	Chinese
Mr. FAN Wei (范為先生)	No. 1 Tsinghua Park Haidian District Beijing, the PRC	Chinese
Ms. HE Zhen (何真女士)	Room 201, Building 5 No. 21, Xi Mian Qiao Heng Street Wuhou District, Chengdu Sichuan, the PRC	Chinese
Mr. WANG Peng (王鵬先生)	No. 32, Xiaokou Road Qinghe West, Haidian District Beijing, the PRC	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Mr. ZENG Zhiwei (曾志偉先生)	Building 8, Shuiyun House No. 16 Beauty Garden Middle Road Zhanghua South Road Haidian District Beijing, the PRC	Chinese
Ms. FU Ruoxue (傳若雪女士)	No. 6, Unit 1, Building 2 Runjia Garden No. 11 Yihu North Road Qingbaijiang District, Chengdu City Sichuan Province, the PRC	Chinese
Ms. LI Jia (李佳女士)	No. 901, Unit 1, Block 4, Happiness Home Biyuntian No. 177 Xinhe Road Qingbaijiang District, Chengdu City Sichuan Province, the PRC	Chinese
Mr. HU Changxian (胡昌現先生)	No. 12, F/4, Unit 2, Building 20 Happy Homeland Shijianian Middle Avenue Qingbaijiang District, Chengdu City Sichuan Province, the PRC	Chinese
Ms. CHEN Yingchun (陳迎春)	Room 2-3, Unit 3, Building 8, C District, Xiang Shan Li Jing, Gusong Town, Xing Wen County, Sichuan Province, the PRC	Chinese
Mr. OUYANG Yu (歐陽煜)	No. 301, Unit 2, No. 96, Middle Junzhou Road, Junlian Town, Junlian County, Sichuan Province, PRC	Chinese

For further details of the Directors, Supervisors and other senior management members, please see the section headed "Directors, Supervisors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Party	Name and Address
Sole Sponsor	**BOCOM International (Asia) Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
Sole Global Coordinator	**BOCOM International Securities Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Bookrunners	**BOCOM International Securities Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	First Capital Securities Limited Unit 4512, 45/F The Center, 99 Queen's Road Central Central, Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Joint Lead Managers	**BOCOM International Securities Limited** 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	First Capital Securities Limited Unit 4512, 45/F The Center, 99 Queen's Road Central Central, Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	Sinomax Securities Limited Room 2705-06, 27/F Tower One, Lippo Centre 89 Queensway, Hong Kong
	Livermore Holdings Limited Unit 1214A, 12/F Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon, Hong Kong

Kaiser Securities Limited
3101-05
Shun Tak Centre West Tower
168-200 Connaught Road, Hong Kong

Legal Advisors to the Company

as to Hong Kong law:
Luk & Partners
In Association with
Morgan Lewis & Bockius
Suites 1902-09, 19th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing, the PRC

Legal Advisors to the Sole Sponsor and the Underwriters

as to Hong Kong law:
Eversheds Sutherland
21st Floor, Gloucester Tower
The Landmark
15 Queen's Road
Central
Hong Kong

as to PRC law:
Dacheng Law Offices
15th/16th Floor, Shanghai Tower
501 Yincheng Road (M)
Pudong New Area
Shanghai
the PRC

Auditor and Reporting Accountants	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Independent Industry Consultant	**Euromonitor International** 1101-08 Cross Tower 318 Fuzhou Road Shanghai the PRC
Power Grid Consultant	**Sichuan Electric Power Design & Consulting Co., Ltd.*** **(四川電力設計諮詢有限責任公司)** No. 299 Shuxiu West Road Hi-tech District Chengdu City Sichuan Province, the PRC
Receiving Bank	**Bank of China (Hong Kong) Limited** Bank of China Tower 1 Garden Road Central Hong Kong

Registered Address	No. 789, Renhe Road Wenjiang District Chengdu City Sichuan Province, the PRC
Headquarter/Principal Place of Business	No. 789, Renhe Road Wenjiang District Chengdu City Sichuan Province, the PRC
Place of Business in Hong Kong	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai, Hong Kong
Company Website	http://www.scntgf.com *(information on the website does not form part of this prospectus)*
Legal Representative	Mr. Zeng Yong (曾勇先生)
Joint Company Secretaries	Ms. Wong Wai Ling (黃慧玲女士) *(a member of the Hong Kong Institute of Chartered Secretaries)* 18/F, Tesbury Centre 28 Queen's Road East, Wan Chai Hong Kong Mr. Li Hui (李暉先生) Block 2, Unit 3, 5/F, Room 10 No. 2 Tongshan Bridge East Street Qingyang District Chengdu City Sichuan Province, the PRC
Authorized Representatives	Mr. Zeng Yong (曾勇先生) No. 102, 1/F, Unit 1, Block 18, No. 788 Gongping Phoenix North Avenue Wenjiang District, Chengdu City Sichuan Province, the PRC Mr. Li Hui (李暉先生) Block 2, Unit 3, 5/F, Room 10 No. 2 Tongshan Bridge East Street Qingyang District Chengdu City Sichuan Province, the PRC
Members of the Remuneration Committee	Mr. Wang Peng (王鵬先生) *(Chairman)* Mr. Wang Heng (王恒先生) Ms. He Zhen (何真女士)

Members of the Audit Committee	Mr. Kin Kwong Kwok Gary (郭建江先生) *(Chairman)* Ms. Han Chunhong (韓春紅女士) Mr. Fan Wei (范為先生)
Members of the Nomination Committee	Mr. Zeng Yong (曾勇先生) *(Chairman)* Ms. He Zhen (何真女士) Mr. Wang Peng (王鵬先生)
Members of the Risk Control Committee	Mr. Fan Wei (范為先生) *(Chairman)* Ms. Li Yu (李彧女士) Mr. Kin Kwong Kwok Gary (郭建江先生)
H Share Registrar	Tricor Investor Services Limited (卓佳證券登記有限公司) Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance Advisor	China Tonghai Capital Limited (中國通海企業融資有限公司) 18/F, China Building 29 Queen's Road Central Hong Kong
Principal Banks	Bank of Shanghai, Chengdu Branch, Qingtinglu Sub-branch (上海銀行成都市清汀路支行) No. 2 Shiren Road South Qingyang District Chengdu City Sichuan Province, the PRC Bank of Communications, Chengdu Branch, Wenjiang Sub-branch (交通銀行成都市溫江支行) No. 149 Liucheng Avenue Wenjiang District Chengdu City Sichuan Province, the PRC Bank of Chengdu, Changshun Branch (成都銀行長順支行) No. 38-8 Huaishu Street Chengdu City Sichuan Province, the PRC

The information that appears in this Industry Overview contains information and statistics on the industry in which we operate and reflects estimates of market conditions based publicly available sources and trade opinion surveys, as well as a commission report from Euromonitor International Limited (the "Euromonitor Report"), and is prepared primarily as a market research tool. References to the Euromonitor Report should not be considered as the opinion of Euromonitor International Limited as to the value of any security or the advisability of investing in our Group. We believe that the sources of information contained in this Industry Overview are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information set out in this Industry Overview has not been independently verified by our Group, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering, except for Euromonitor International Limited, and no representation is given as to the accuracy or completeness of such information. Accordingly, you should not rely on such information in making, or refraining from making, any investment decision.

SOURCE OF INFORMATION, KEY BASES AND ASSUMPTIONS

We commissioned Euromonitor International Limited ("Euromonitor"), an independent market research consultancy firm to conduct a detailed analysis of the electric power industry in China and Sichuan Province.

In connection with the preparation of the Euromonitor Report, Euromonitor performed both primary and secondary research, and obtained latest data, projected data, insights on future trends involving the power industry in China and Sichuan Province. Primary research involves interviews with a sample of leading industry participants and industry experts. Secondary research involves reviewing published sources, including PRC national and local statistics and official sources, company reports and data based on Euromonitor's proprietary research database.

The Euromonitor Report was compiled based on the following assumptions: (i) the PRC economy is expected to maintain steady growth over the forecast period; (ii) China's social, economic and political environment is expected to remain stable in the forecast period; (iii) there will be no external shock, such as financial crisis or raw material shortage that affects the demand and supply of power in China during the forecast period; and (iv) key market drivers, such as an increase in per capita disposable income, rapid urbanization, increasing demand for high-end production and government policy support are expected to boost the development of the PRC power industry.

Established in 1972, Euromonitor provides strategy research for both consumer and industrial markets. It has offices and analysts in 80 countries and is a leading provider of global market intelligence. Euromonitor has over 5,000 active clients, including 90% of the Fortune 500 companies. We are contracted to pay a fee of RMB526,325 to Euromonitor in connection with its preparation of the Euromonitor Report. We have extracted certain information and statistics from the Euromonitor Report in this section, as well as in the sections headed "Summary," "Risk Factors," "Business" and "Financial Information" and elsewhere in this prospectus to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

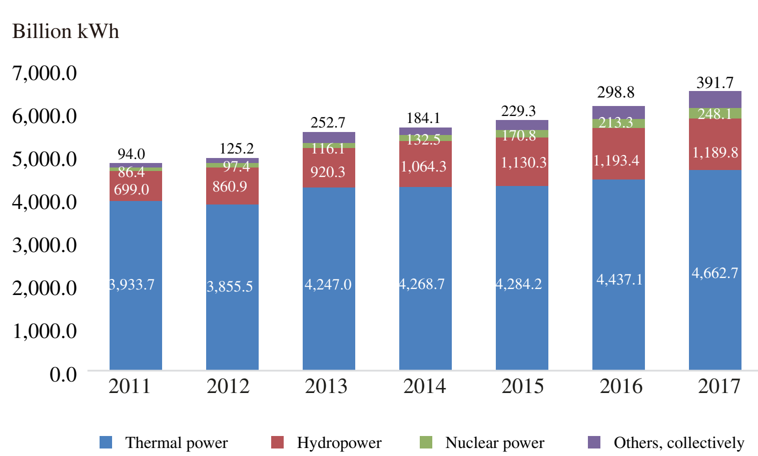
OVERVIEW OF THE POWER INDUSTRY IN THE PRC

Power Industry in the PRC

The value chain of power industry in China comprises of power generation, power transmission and distribution and sales of electricity. The power generation sector converts other types of energy into electricity, such as hydropower plants that use the energy of water flux. The core of the power supply sector is the transmission and distribution system of the power grid, which comprises electricity transmission networks that reach provinces and cities in China, electricity distribution networks that reach end uses, and step-up and step-down substations. Lastly, the power sales sector directly distributes electricity to end users.

According to the Euromonitor Report, the amount of power generation increased from approximately 4.8 trillion kWh in 2011 to approximately 6.5 trillion kWh in 2017, representing a CAGR of 5.2%. For hydropower in particular, the amount of power generated increased from 699.0 billion kWh in 2011 to 1,189.8 billion kWh in 2017 at a CAGR of 9.3% while the proportion of hydropower generation as a percentage of total power generation in the PRC increased from 14.5% in 2011 to 18.3% in 2017. Based on the Euromonitor Report, the proportion of hydropower generation in China will continue to grow while that of thermal power will decrease due to the PRC government's policies promoting the use of clean energy. According to the Thirteenth Five Year Plan, the total installed hydropower generation capacity is expected to reach 380 million kW by 2020. The PRC government is also planning to expand electricity transmission capability from Western China to Eastern China, with the expected total transmission power reaching more than 100 GW by 2020, according to the Euromonitor Report. The following chart sets forth the growth pattern of power generation capacity in China between 2011 and 2017:

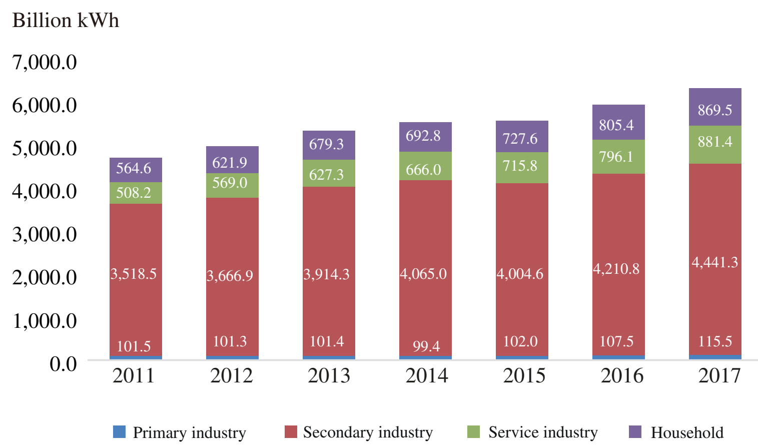
Power Generation in China, 2011-2017



Source: The National Energy Administration, China Electricity Council, State Electricity Regulatory Commission

According to the Euromonitor Report, the total power consumption in China grew from 4.7 trillion kWh in 2011 to 6.3 trillion kWh in 2017, representing a CAGR of 5.1%. In recent years, the power consumption of residential and service industry sectors generated the bulk of the growth in total power consumption in the PRC. The following chart illustrates the increase of power consumption in China from 2011 to 2017:

Power Consumption in China, 2011-2017



Source: *The National Energy Administration, China Electricity Council, State Electricity Regulatory Commission*

According to the Euromonitor Report, the total length of power transmission and distribution cables (above 35 kV) increased from 1.4 million km in 2011 to 1.8 million km in 2017, representing a CAGR of 4.3%. The scale of power grid is expected to further expand due to the following reasons: (i) increases in the investments in ultra-high voltage ("UHV") grid; (ii) further establishment of the West-to-East electricity project in China; (iii) higher demand for more developed grid systems to eliminate excess capacity in power generation; and (iv) new round of upgrades involving rural grids.

The PRC power industry is faced with two main challenges. First, power supply market in the PRC is generally not favorable to private capital. While private enterprises may seek to enter into the new power grid markets, such market mainly lies in remote and less developed areas in the country with complicated geographical environment. The construction and maintenance of power grids in these areas may prove to be challenging as engineering cost and construction risk of these projects are generally high and are expected to rise. In the meantime, the current power grid system has covered most regions in China, so the new power supply projects are expected to be mainly located in remote or rural areas, making prospects for future revenues in such projects uncertain. Second, new market entrants face challenges in locating sufficient resources for power generation. Different power generation methods have various demands for natural resources and environments. For instance, thermal power plants require nearby fuel resources while hydropower plants require locations with engineering convenience and sufficient water flux to generate power. Thus, new entrants face challenges in selecting suitable power plant sites.

Rural Power Grid Development in the PRC

According to the "Suggestions on Implementing a New Round of Rural Electric Power Grid Upgrades during the Thirteenth Five Year Plan Period" issued by the NDRC, rural power grid is an important infrastructure in rural areas of the PRC, which promotes the development of the local agriculture and economy. Since rural power grid upgrades were implemented during the Twelfth Five Year Plan period, rural power grid structure and power supply capacity have improved significantly. There has been a gap in electric power service between urban areas and rural areas where the demand for electricity has been growing.

The PRC government has established major objectives involving the development of rural power grid. According to the Euromonitor Report, it is expected that the rural areas in China shall achieve a full coverage of stable and reliable power supply service by 2020. Reliability of power supply by rural power grid is anticipated to reach 99.8%, comprehensive voltage eligibility rate of 97.9% and average capacity of distribution transformers of not less than 2.0 kVA per household. It is the government's objective to build a modern rural power grid while increasing the proportion of electric power in rural household energy consumption. Furthermore, urban and rural power supply service equalization is expected to be achieved in Eastern China, and the gap between urban and rural power supply will be narrowed significantly in Central and Western China.

According to the Euromonitor Report, to achieve these major objectives, the PRC government has set forth the following key tasks:

- *Expedite the upgrading of rural power grid*. Expedite the upgrading of the rural power grid in key small towns and villages, as well as major agricultural production electric power supply facilities;

- *Promote rural power grid investment diversification*. Utilize business mechanism to introduce social capital to participate in rural power grid construction;

- *Increase the effort of rural power grid upgrades in poverty-stricken areas*. Prioritize rural power grid upgrades in national key poverty alleviation and development counties and concentrated destitute areas by improving the capacity of rural power grid acceptance of electricity distribution, combined with new energy poverty alleviation projects; and

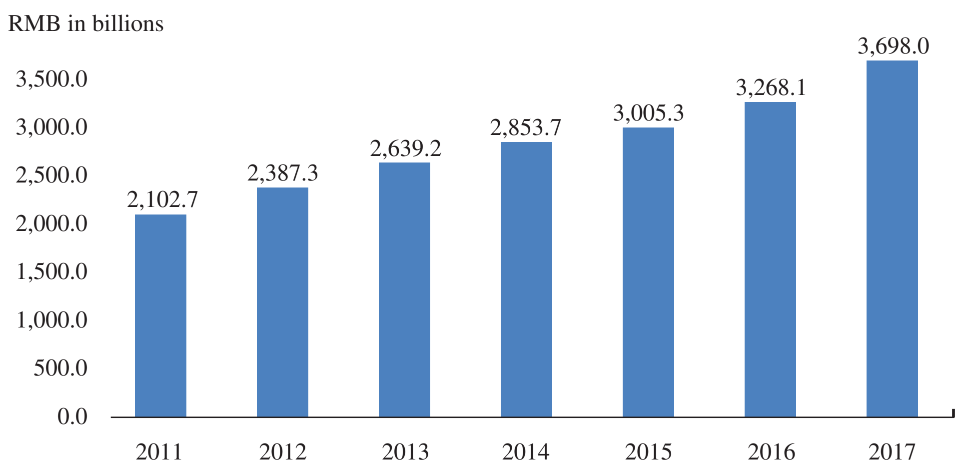
- *Advance urban and rural power supply equalization*. Improve urban and rural power grid informatization, automation and intelligence, and shorten power supply service gap in Eastern and Central China, and in certain more developed regions in Western China.

OVERVIEW OF ECONOMY AND POWER INDUSTRY IN SICHUAN PROVINCE AND YIBIN CITY

Macroeconomic Environment in Sichuan Province and Yibin City

According to the Euromonitor Report, the nominal GDP of Sichuan Province has been growing steadily during the period from 2011 to 2017 with a CAGR of 9.9%. In 2017, GDP in Sichuan Province reached RMB3.7 trillion. According to the Euromonitor Report, GDP per capita increased from RMB26,133 in 2011 to RMB44,651 in 2017, representing a CAGR of 9.3%. This rapid and steady growth of the economy in Sichuan Province strongly supports the development of the power industry in the Province. The following chart illustrates the nominal GDP and related growth rate in Sichuan Province from 2011 to 2017.

Nominal GDP of Sichuan Province, 2011-2017



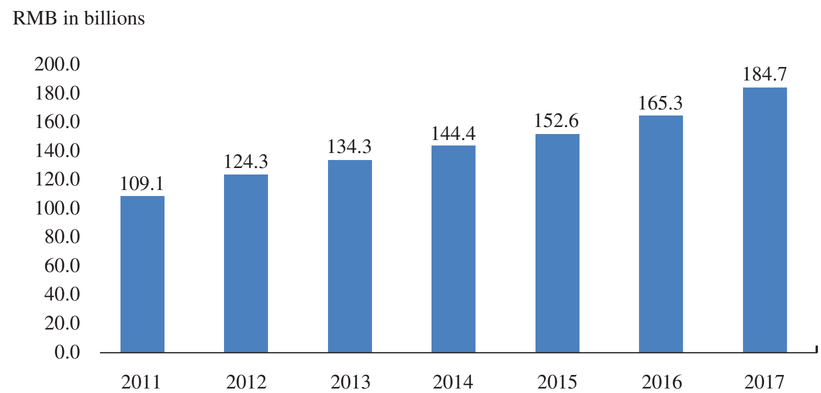
Source: Bureau of Statistics of Sichuan

In addition, the per capita net income of rural resident and per capita disposable income of urban resident in Sichuan Province reached RMB12,227 and RMB30,727, respectively, in 2017, with a CAGR of 11.6% and 8.3%, respectively, during the period from 2013 to 2017.

According to the Euromonitor Report, total population in Sichuan Province increased from 80.5 million in 2011 to 83.0 million in 2017, and is expected to increase with an annual growth rate of 2.4% from 2018 to 2020 to 93.7 million. In the meantime, urbanization rate in Sichuan Province also increased from 41.9% in 2011 to 50.7% in 2017, and is expected to further increase to 58.6% by 2020. Therefore, the fast developing urbanization process may lead to further growth in residential power consumption in Sichuan Province.

The GDP of Yibin City reached RMB184.7 billion in 2017, ranking fourth in Sichuan Province in 2017. During the period from 2011 and 2017, Yibin City's GDP grew at an annual rate of 9.2% and its per capita GDP increased from RMB24,433 in 2011 to RMB40,868 in 2017. Yibin City's industrial output value and financial revenue both ranked third in Sichuan Province in the same year. The following chart illustrates the GDP and related growth rate in Yibin City from 2011 to 2017.

GDP Value Size of Yibin City, 2011-2017

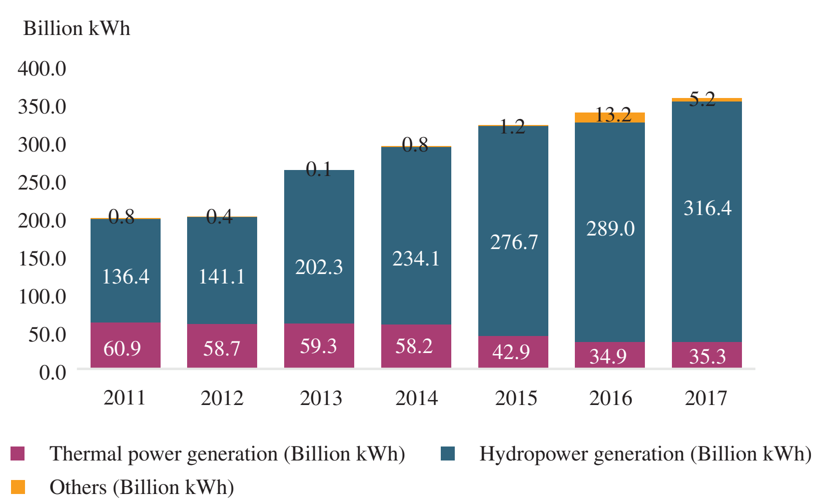


Source: Bureau of Statistics of Yibin

Power Industry in Sichuan Province

According to the Euromonitor Report, total power generation in Sichuan Province increased from 198.1 billion kWh in 2011 to 356.9 billion kWh in 2017, representing a CAGR of approximately 10.3%. With the establishment of UHV grids and the increasing demand in residential power consumption, power generation in Sichuan Province is expected to continue to grow. According to the Euromonitor Report, a majority of the power generated in Sichuan Province was from hydropower during the period from 2011 to 2017. The following chart illustrates the power generation in Sichuan Province from 2011 to 2017.

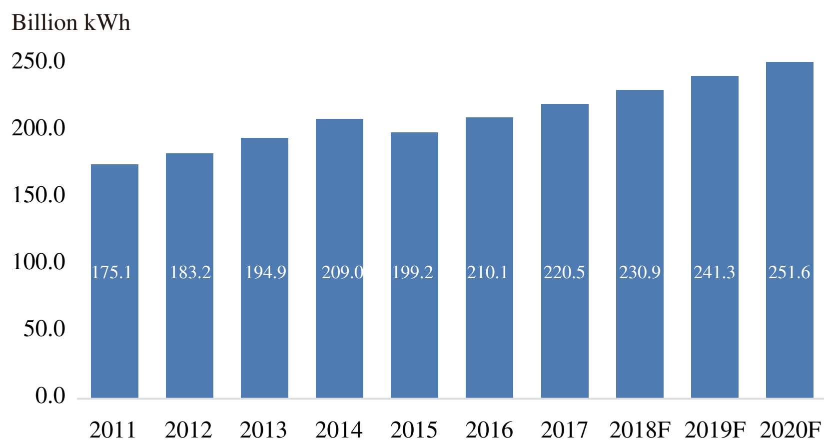
Power Generation in Sichuan Province, 2011-2017



Source: Bureau of Statistics of Sichuan

According to the Euromonitor Report, in 2017, total electricity consumption in Sichuan Province was 220.5 billion kWh. The consumption within Sichuan Province slightly decreased in 2015 compared to 2014, mainly due to a reduction in industrial power consumption. The consumption in Sichuan Province increased in 2016 and 2017 mainly due to the utilization of the electricity consumption structure. According to the Euromonitor Report, in the future, this decrease is likely going to be counterbalanced by the expected growth in total population in Sichuan Province, which is expected to increase at an annual growth rate of 2.7% during the period from 2015 to 2020, and the urbanization rate is expected to increase from 47.7% in 2015 to 58.6% by 2020. Based on this estimation, residential power consumption by urban and rural residents is likely to increase and generate future growth in total power consumption in Sichuan. According to the Euromonitor Report, the power consumption in Sichuan Province is expected to grow at a CAGR of 4.4% from 2018 to 2020. The following chart illustrates the power consumption in Sichuan Province from 2011 to 2020.

Power Consumption in Sichuan Province, 2011-2020



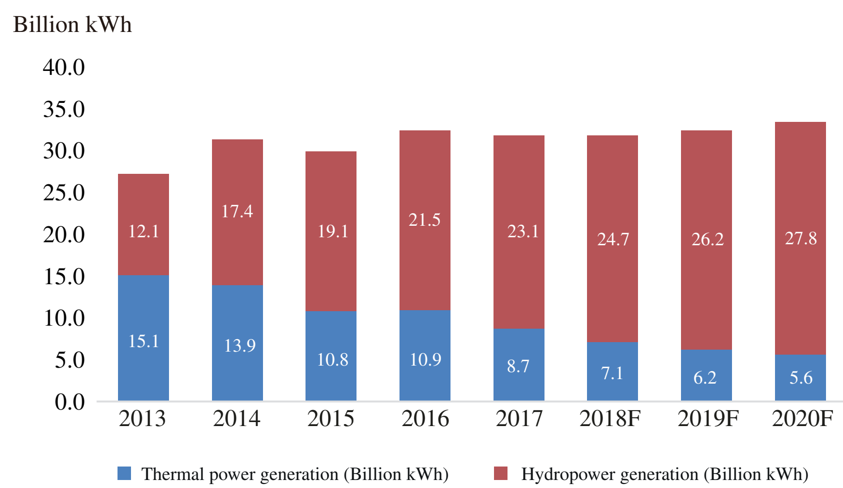
Source: Bureau of Statistics of Sichuan

Power Industry in Yibin City

Based on the Euromonitor Report, in Yibin City, total power generation increased from 27.2 billion kWh in 2013 to 31.8 billion kWh in 2017, representing a CAGR of 4.0%. Hydropower-generated electricity remains the mainstream electric power generation method in Yibin City. According to the Euromonitor Report, hydropower-generated electricity accounted for approximately 72.6% of the total power generated in 2017.

The following chart illustrates the electric power generation of Yibin City, including thermal power and hydropower generation, from 2013 to 2020.

Electric Power Generation of Yibin City, 2013-2020



Source: Bureau of Statistics of Yibin; Euromonitor

The on-grid tariffs of hydropower in Yibin City remained relatively stable ranged from RMB0.29 per kWh to RMB0.31 per kWh for each year from 2013 to 2017.

In terms of power consumption, according to the Euromonitor Report, Yibin City has witnessed significant growth in recent years, which reached approximately 5.24 billion kWh in 2015, representing an increase of approximately 7.7% compared to 2014. According to the Euromonitor Report, rising urbanization rate and increasing residential income will lead to an increase in the demand for residential electricity consumption. Furthermore, the launch of the PRC "Belt and Road Initiative" and the westward movement of the manufacturing industry are also expected to lead to an increase in electricity consumption.

Growth Drivers of the Power Industry in Sichuan Province and Yibin City

According to the Euromonitor Report, the power industry in Sichuan Province and Yibin City benefits from the following industry growth drivers:

- *Rapid Economic Development*: Similar to the growth in GDP and per capita income in China, power generation industry in Sichuan Province also grew steadily in recent years. In Yibin City, the potential growth in innovative industries, such as new materials, will strongly support the power consumption in the secondary industries;

- *Westward Migration of the PRC Manufacturing Industry*: It is expected that Sichuan Province and Yibin City will benefit from the westward migration of the Chinese manufacturing industry and become attractive to manufacturing companies. It is expected to play an important role in the "Belt and Road" initiative. As such, the growth of the manufacturing industry is expected to significantly increase the power demand and consumption in Sichuan Province and Yibin City;

- *Government Support*: Based on the Thirteenth Five Year Plan, the PRC government has emphasized the development and use of clean energy, which is expected to constitute up to 15% of the total energy consumption. This will encourage the use of hydropower, especially in Sichuan Province;

- *Abundant Natural Resources*: In addition, Sichuan Province's power generation industry is characterized by its substantial hydropower generation resources. According to the Euromonitor Report, approximately 21.2% of all water reserves in the PRC in 2016 is located in the Sichuan Province. Yibin City also has abundant hydropower resources. There are over 600 branching rivers and streams and 443 reservoirs on these rivers, with designed water storage capacity of approximately 3.1 billion m^3;

- *Rural Grid Upgrade and Rising Living Standard*: According to the Euromonitor Report, residential power consumption in Sichuan Province has significantly increased in recent years. With the increasing coverage of rural power grid in regions that traditionally did not have access to electricity and the increasing disposable income and living standards of urban and rural residents, new consumers and consumers with higher electricity demand are both increasing; and

- *Electric Power Substitution*: The growth of the power industry in Yibin City is also driven by the amount of electric power substitution. According to the Euromonitor Report, electric power substitution refers to the use of electric power in the replacement of energy consumption methods, such as coarse coal particles consumption and fuel combustion. In 2016, the total electric power substitution made by power companies in Yibin City was approximately 0.7 billion kWh, which resulted in approximately RMB0.2 billion in total cost savings.

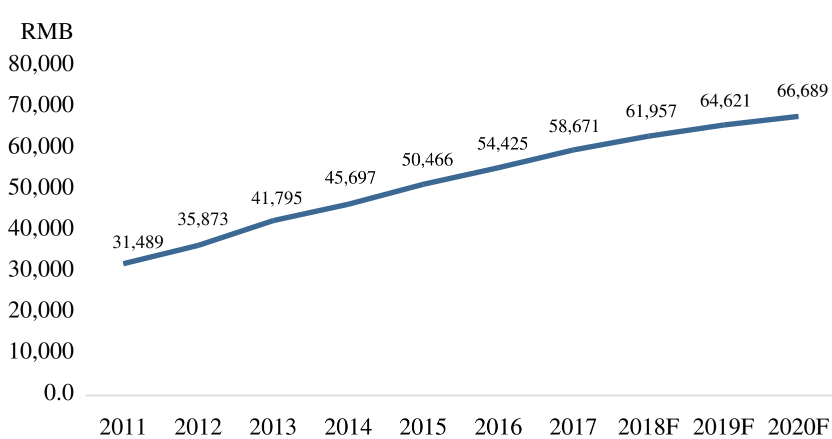
MAJOR COST COMPONENTS

The major cost components for our Group mainly include labor cost and cost of purchasing electricity from the State Grid. The purchase cost can be referred to the benchmark on-grid tariff of Sichuan Province. The benchmark on-grid unit tariff based on different power generation types continue to decrease in Sichuan Province in recent years, resulting in reduction of our unit cost of sales from year to year. Since on-grid tariff is set by the PRC central government, we cannot predict the future pricing trend. The following table sets forth the detailed on-grid tariffs for different types of power generation in Sichuan Province from 2013 to 2017.

Power Generation Method	2013 (RMB/kWh)	2014 (RMB/kWh)	2015 (RMB/kWh)	2016 (RMB/kWh)	2017 (RMB/kWh)
Thermal power.	0.53	0.47	0.46	0.44	0.40
Hydropower.	0.30	0.31	0.30	0.30	0.29
Nuclear power	0.62	0.65	0.61	0.61	N/A
Wind power.	0.57	0.57	0.65	0.65	0.60
Solar power.	N/A	1.0	0.88	0.88	0.75

According to Statistics Bureau of Sichuan, the average wage in Sichuan Province was RMB58,671 in 2017, which increased from RMB31,489 in 2011, representing a CAGR of 10.9% during this period. The average wage in Sichuan Province is further expected to increase at a CAGR of 3.7% from 2018 to 2020. The following tables sets for the average wage of all employees in Sichuan Province from 2011 to 2020.

Average Wage for All Employees in Sichuan Province, 2011-2020



Source: National Statistics Bureau of Sichuan Province; Euromonitor

COMPETITIVE LANDSCAPE

We are authorized by the PRC government as the only power supplier in the power supply service area in Yibin City. Therefore, we do not face any competition in such designated power supply service area. However, we enjoy the following key strengths compared to other power suppliers in Sichuan Province:

- *Proven skills, talent and technologies*. We have accumulated significant operation, construction and maintenance experience, obtained sufficient talents and possessed advanced technologies and technique in hydroelectric power generation and distribution industries;

- *Full industry value chain coverage*. We have a full and complete industry value chain coverage from power generation to distribution and sale of electricity to end users;

- *Support from all levels of PRC government*. We receive support from the local, provincial and state-level governments in the PRC, primarily due to our performance, business vision and business scope;

- *Strong capital support*. We enjoy convenient and strong capital support from medium or large banks mainly due to our profitability and reputation; and

- *High consumption growth potential*. Our grid covered 68.6% of the geographic area and 57.3% of the residents in Yibin City, supplying over 34% of power in the city, while other suppliers, such as the State Grid Company, supplied the remaining 66%.

According to the Thirteenth Five Year Plan, the PRC government intends to address high fuel consumption and severe environmental pollution by encouraging the use of renewable and clean energy, such as hydropower, in its efforts to curb pollution. The combination of the policy support and financial assistance paves the way for increased hydropower generation in Yibin City in the near future.

COMPARISON OF OTHER PUBLICLY LISTED LOCAL POWER COMPANIES IN SICHUAN PROVINCE

In comparison with other publicly listed local power companies in Sichuan Province, we ranked first in Sichuan Province in 2017 in terms of electricity revenue, according to the Euromonitor Report. Based on the estimates by Euromonitor, as of December 31, 2017, we had the longest electric power supply lines, which enables us to satisfy the electricity demand from more users amongst the listed local power companies in Sichuan. Below is a table showing a comparison of the key performance indicators of our Company and other local listed power companies as of and for the year indicated.

Category	Electricity Revenue[1] (RMB in millions)	Total Revenue (RMB in millions)	Total Power Generated (Million kW-h)	Total Power Sales (Million kW-h)	Power Plant Number	Total Installed Capacity (kW)	Transformer Substation Number	Electric Power Supply Line Distance (km)
	For the year ended December 31, 2017							
Our Company	1,542.3	1,853.2	598.2	2,729.1	35	138,680	79	10,638.4
Company 1	1,465.4	2,058.9	562.4	2,840.0	14	92,500	44	1,372.9
Company 2	1,190.4	1,513.2	649.3	2,011.4	5	129,380	32	9,370.2
Company 3	822.0	821.6	819.0	2,771.0	4	202,900	12	307
Company 4	822.5	919.7	779.0	2,194.0	9	124,800	13	1,954.6
Company 5	935.7	2,067.2	1,375.9	2,581.4	11	380,340	N/A	N/A

Source: Audited data of Sichuan Energy Investment Development Co., Ltd; annual reports and official websites of various publicly listed companies.

Note:

(1) This revenue refers to the revenue generated from power-related business within Sichuan Province.

BACKGROUND OF ELECTRICITY PRICE IN SICHUAN PROVINCE

On-grid Tariffs

Compared to other power sources, the average on-grid tariffs of hydropower in Sichuan Province is the lowest and has remained relatively stable over the past several years. According to the Euromonitor Report, the price for hydropower is expected to remain relatively stable in the near term. The following chart illustrates the average on-grid tariffs of hydropower compared to those of other types of energy source for the periods indicated.

Power Generation Method	2013 (RMB/kWh)	2014 (RMB/kWh)	2015 (RMB/kWh)	2016 (RMB/kWh)	2017 (RMB/kWh)
Thermal power	0.53	0.47	0.46	0.44	0.40
Hydropower	0.30	0.31	0.30	0.30	0.29
Nuclear power	0.62	0.65	0.61	0.61	N/A
Wind power	0.57	0.57	0.65	0.65	0.60
Solar power	N/A	1.0	0.88	0.88	0.75

Source: Sichuan Energy Bureau

End-user Tariffs

For illustrative purposes, the following chart contains the electricity retail price from 2011 to 2017 in Sichuan Province for different types end-users using the 1-10 kV transmission and distribution lines for the periods indicated.

Type of End-user	2011 (RMB)	2012 (RMB)	2013 (RMB)	2014 (RMB)	2015 (RMB)	2016 (RMB)	2017 (RMB)
Household	0.5124	0.5364	0.5364	0.5364	0.5364	0.5364	0.5364
General industry	0.8444	0.8444	0.8444	0.8444	0.8444	0.8297	0.8010
Heavy industry	0.6195	0.6195	0.6195	0.6195	0.5994	0.5994	0.5774

Source: Sichuan Development and Reform Commission

According to the Euromonitor Report, retail electricity price in Sichuan Province is expected to remain relatively stable in the near future. As a city within Sichuan Province, Yibin City's electricity retail prices follow those of Sichuan Province with no significant difference, according to the Euromonitor Report.

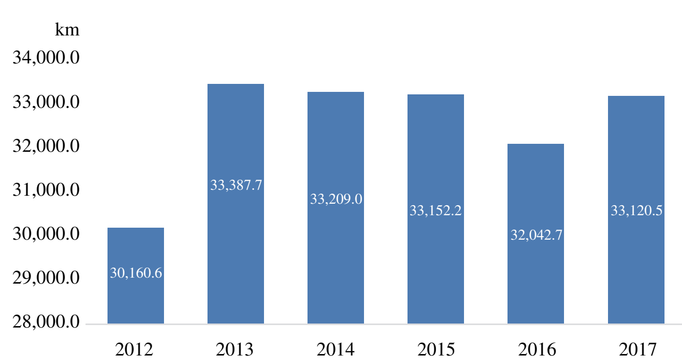
OVERVIEW OF THE EECS INDUSTRY IN THE PRC, SICHUAN PROVINCE AND YIBIN CITY

EECS Industry in China

According to the National Energy Administration, the total investment in electrical engineering construction continues to increase during the 12th Five-year period. The total investment value reached RMB531.5 billion in 2017, which increased from RMB368.2 billion in 2011, representing a CAGR of 6.3% over the past seven years.

The growth of electric engineering construction switched from rapid growth mode to high-quality growth stage. According to data sourced from Wind, the new production of power grid (above 220 KV) length reached an aggregate 33,120.5 km by the end of 2017. It reached an annual average of 32,512.1 km of new production from 2012 to 2017. The following chart illustrates the new power grid production (above 220 KV) length in China from 2012 to 2017.

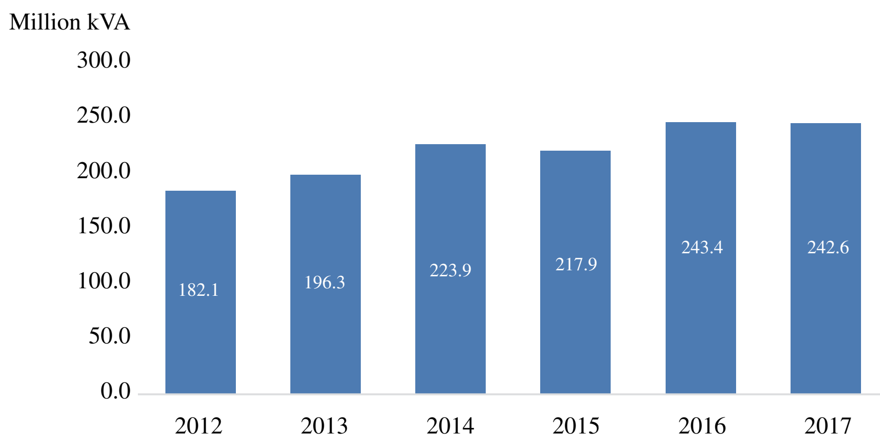
New Production Power Grid (above 220 KV) Length in China, 2012-2017



Source: Wind, Euromonitor

In addition, according to the Euromonitor Report, the total newly added capacity for substation equipment reached 242,633.0 MVA by the end of 2017, representing a six-year average of 217,694.8 MVA from 2012 to 2017. Although the pace of newly added production capacity experienced a slow-down in 2015, it rebounded since 2016 to reach a healthy level to ensure the production capacity for electric construction in China. The following chart illustrates the newly added capacity for substation equipment in China from 2012 to 2017.

Newly Added Substation Capacity in China, 2012-2017



Source: Wind, Euromonitor

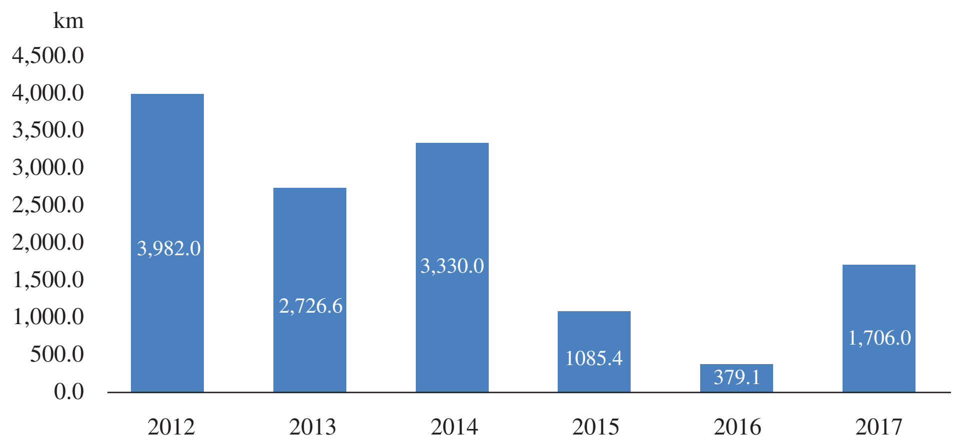
The challenges for the EECS industry lie in increasing technical request, rising labor cost and new innovation on technical transformation. With further development of smart grid and upgrading mechanism manufacturing, it requires more EECS companies to focus on improving their technical skills to meet the rising market demand. Additionally, the average wages of employees in the EECS industry keep increasing, which create challenges for EECS companies to find new ways to control cost.

EECS Industry in Sichuan

According to the Euromonitor Report, rural power grid is a critical component for the future development of the power industry in Sichuan Province. In recent years, the length of the rural power grid has increased steadily as a result of the increase in the production capacity of rural power grids, which indicates more demand for rural power grid upgrade construction projects in the Province. According to data sourced from Wind, the new production of power grid (above 220 kV) length reached 1,706.0 km by the end of 2017. They were constructed at an average rate of 2,190.6 km per year in Sichuan Province from 2012 to 2017, according to the Euromonitor Report.

The following chart illustrates the new power grid production (above 220 KV) length in Sichuan Province from 2012 to 2017.

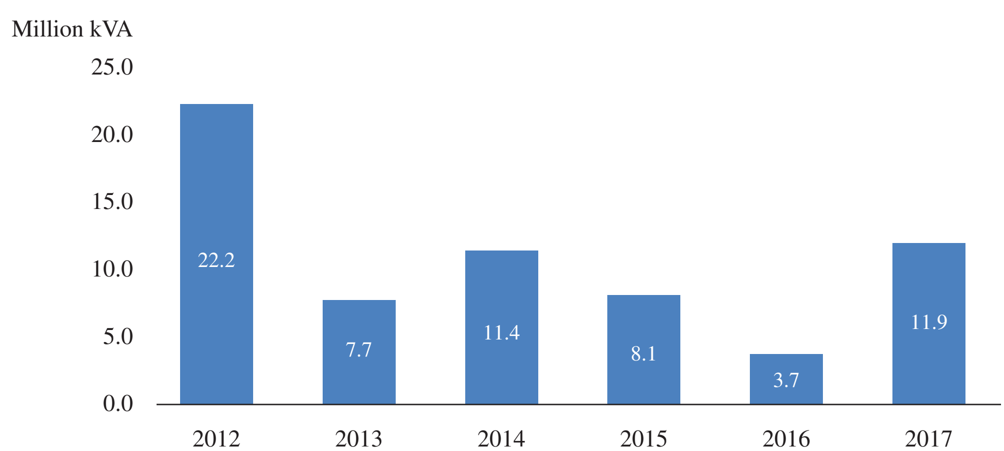
New Production Power Grid (above 220 KV) Length in Sichuan Province, 2012-2017



Source: Wind, Euromonitor

Newly added production capacity of electricity substation equipment in Sichuan Province also increased from 7,720,000 kVA in 2013 to 11,940,000 kVA in 2017, representing at a CAGR of 11.5% during the period. The following chart illustrates the newly added capacity for substation equipment in Sichuan Province from 2012 to 2017.

Newly Added Substation Capacity in Sichuan, 2012-2017



Source: Wind, Euromonitor

Furthermore, significant investments were made in the EECS sector in Sichuan Province. According to the Euromonitor Report, from January to July 2017, total investment in the industry amounted to RMB281.3 billion, representing a year-on-year growth of approximately 9.9%, of which RMB125.5 billion were made by major power companies in Sichuan Province.

EECS Industry in Yibin

In September 2017, Yibin Electricity Grid Plan under the Thirteenth Five Year Plan was published in order to further develop Yibin City's local economy. According to the Euromonitor Report, it called for the construction of smart grids, which are aimed to provide better quality, clean, reliable and sustainable power supply. They generally combine both traditional and advanced power supply technologies, as well as utilize cloud and internet-based technologies to transfer and monitor large amounts of power generation and consumption data to further provide value-added services to consumers.

Growth Drivers of the Electrical Engineering Construction Services Industry in Sichuan Province and Yibin City

Based on the Euromonitor Report, the EECS industry in the PRC, Sichuan Province and Yibin City largely benefits from the following market drivers:

- *Increased Power Consumption*: With continued upgrading of the rural power grids and the rising living standards of urban residents, power grids with wider coverage and higher reliability have experienced increased demand in Sichuan Province to meet the increasing demand for power consumption among urban and rural residents. Such increased demand and rural power grid upgrades are likely to lead to future investments in grid construction. In addition, the development and application of smart grids are expected to further stimulate grid construction investments, particularly in areas where current power grids are relatively underdeveloped; and

- *Government Initiatives*: In December 2016, the NEA published a hydropower development plan, pursuant to which a capacity of 60 GW of hydropower is planned for Southwestern China along with additional power grid capacity. By 2020, the overall installed hydropower capacity in the region is expected to reach 380 GW. Moreover, the PRC government is planning to expand the capability of power transmission from Western China to Eastern China, which is likely to reach more than 100 GW by 2020.

- *Technology Development in Energy Services*: Comprehensive energy service covers energy planning and design, construction, multi-energy operation services and investment services. Technology will play a larger part in its developing in which electricity companies utilize the Internet and big-data technology, and combines them with clean energy services to provide a new business model for energy services.

ENTRY BARRIERS

Entry Barriers in the PRC Power Industry

According to the Euromonitor Report, entrance into the PRC power industry is subject to the following barriers:

- *Administrative and Technology Barrier*: Currently, a new market entrant must obtain Electric Power Business License from the NEA. To obtain such licence, the new entrant shall demonstrate that it has the necessary technologies, environment protection methods and engineering capability, all of which would make competition difficult if the new entrant lacks the necessary experience;

- *Investment Barrier*: Initial investment to build power plants could be substantial for small- and medium-sized private companies. According to the Euromonitor Report it is also difficult to acquire existing power plants due to the high capital costs involved. The same also applies for the construction of power grids, which requires large amount of initial capital outlay as well as expenses relating to their ongoing operation and maintenance; and

- *Resource Barrier*: There are limited locations to establish power generation plants in China and Sichuan Province as thermal power plants require nearby fuel resources or convenient fuel transportation channels, while hydropower plants require locations that have sufficient water flow to generate power.

Entry Barriers in the PRC EECS Industry

According to the Euromonitor Report, the entry barriers for the EECS industry primarily comprise licensing and technological requirements. Electric Power Business License (電力業務許可證) issued by the NEA is generally required to conduct the EECS business in the PRC and the Construction Enterprise Qualification Certificate and Work Safety License issued by administrative departments of construction. In order to obtain such license, adequate preparations in related technologies, environmental protection methods and engineering capabilities are necessary. Therefore, it would be difficult for new market entrants with no or little relevant business experience or technological and engineering know-how to effectively compete in the marketplace.

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out (i) an introduction to the major PRC government authorities with jurisdiction over our current operations; and (ii) a summary of the main laws, regulations and policies to which we are subject. For the laws and regulations relating to taxation and foreign exchange in the PRC, please refer to Appendix III to this prospectus.

SUPERVISION OF STATE-OWNED ASSETS

According to the Interim Regulations on the Supervision and Administration of State-owned Assets in Enterprises (《企業國有資產監督管理暫行條例》) promulgated and implemented on May 27, 2003, and subsequently revised and became effective on January 8, 2011, the State-owned assets in enterprises belong to the State. The State implements the administration system for State-owned assets in which the State Council and local people's governments shall, on behalf of the State, respectively perform the contributor's duties and enjoy the owner's rights and interests, State-owned asset supervision and administration bodies shall support enterprises' independent and legal business operations, and may not intervene in the production and business activities of the enterprises except for performing the contributor's duties.

The main duties of a state-owned asset supervision and administration body are:

- performing the contributor's duties for contributed enterprises and protecting the owner's rights and interests in accordance with the Company Law and other laws and regulations;
- directing and promoting the reform and restructuring of the State-owned and state-controlled enterprises;
- dispatching the board of supervisors to contributed enterprises pursuant to the provisions;
- appointing, removing, and assessing the principals of contributed enterprises according to statutory procedures, and awarding or punishing them according to assessment results;
- supervising the maintenance of, and the increase in the value of, the state-owned assets in enterprises through statistics, auditing or otherwise; and
- performing other duties of the contributor and other matters handed over by the people's government at the corresponding level.

The state-owned asset supervision and administration body under the State Council may, apart from performing the duties provided for in the preceding paragraph, set forth the rules and regulations on the supervision and administration of the state-owned assets in enterprises.

According to the Interim Administrative Measures for State-owned Assets in Enterprises of Sichuan Province (《四川省企業國有資產監督管理暫行辦法》) promulgated by the Sichuan Provincial government on November 20, 2007 and came into effect on December 20, 2007, the state-owned asset supervision and administration bodies of people's governments at the higher level shall, in accordance with the law, direct and supervise the state-owned asset supervision and administration carried out by people's governments at the lower level. State-owned asset supervision and administration bodies shall report the supervision and administration of the state-owned assets in enterprises, the maintenance of, and the increase in the value of, state-owned assets, and other major matters to the people's governments at the corresponding level.

Foreign Investment Direction and the Industry Catalog

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Provisions Guiding Foreign Investment Direction (指導外商投資方向規定), which were promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, and the current Industry Catalog for Guiding Foreign Investment (外商投資產業指導目錄) (the "Foreign Investment Catalog"), which was jointly promulgated by the NDRC and MOFCOM on June 28, 2017 and came into effect on July 28, 2017. Under the Foreign Investment Catalog, foreign-invested industries are classified into two categories, namely (i) encouraged foreign-invested industries; and (ii) foreign-invested industries which are subject to the Special Administrative Measures for Access of Foreign Investments (Negative List for Access of Foreign Investments) (the "Negative List"). The MOFCOM and NDRC jointly promulgated the Negative List of the version of 2018 on June 28, 2018, which became effective on July 28, 2018 to replace the Negative List under the Foreign Investment Catalogue that was revised in 2017. The Negative List is further divided into restricted foreign-invested industries and prohibited foreign-invested industries. Unless otherwise provided in the PRC laws, the industries which are not set out in the Negative List are permitted foreign-invested industries. Where the items set forth in the encouraged foreign-invested industries and the Negative List overlap, such items enjoy encouraged policies and shall comply with the relevant access provisions.

According to the current Foreign Investment Catalog and the Negative List, construction and operation of power grid is in the encouraged foreign-invested industries category and no longer required to be restricted to the form of a Sino-foreign cooperation or joint venture controlled by the Chinese parties since the Negative List of the version of 2018 become effective.

PROJECT APPROVAL AND EXAMINATION

According to the Government Approved Investment Project Directory (2016 version) (《政府核准的投資項目目錄》(2016年本)), which was promulgated and effected on December 20, 2016, hydropower stations projects with a per station installed capacity of 500MW or above built on trans-boundary rivers or on rivers crossing provinces (autonomous regions or municipalities directly under the Central Government) shall be subject to the approval of the competent investment department under the State Council. Among them, the projects with a per-station installed capacity of 3 GW or above or involving 10,000 displaced residents or above shall be subject to the approval of the State Council; while other projects shall be subject to the approval of local governments. Power grid projects with +/-500 kV or above DC power projects for cross-border or cross-provinces (autonomous regions or municipalities directly under the Central Government) power transmission, and the 500 kV, 750 kV, and 1,000 kV AC for cross-border or cross-provinces (autonomous regions or municipalities directly under the Central Government) power transmission shall be subject to the approval of the competent investment department under the State Council. Among them, the with +/-800 kV or above DC projects and the 1,000 kV AC projects shall be submitted to the State Council for registration; the +/-500 kV or above DC power projects for non-cross-border or non-cross-provinces (autonomous regions or municipalities directly under the Central Government) power transmission, and the 500 kV, 750 kV, and 1,000 kV AC for non-cross-border or non-cross-provinces (autonomous regions or municipalities directly under the Central Government) power transmission shall be subject to the approval of provincial governments following the relevant program developed by the State, while other projects shall be subject to the approval of local governments following the relevant program developed by the State.

According to the Decision of the State Council on Reforming the Investment System (《關於投資體制改革的決定》), which was promulgated and effected on July 16, 2004, the State has made a series of reforms on the original investment system since the reform and opening to the outside world, which have broken the highly centralized mode of investment administration under the planned economic system tradition, and have formed a new pattern of multi-investors, multi-channels of capital resources, and diversification of ways of investment, as well as market-oriented project construction, whereas there are still many problems remained to be solved in the current investment system. Accordingly, the State Council has decided to further deepen the reform of investment system from the following aspects:

- the guidelines and targets for deepening the reform of the investment system;
- the transformation of the administrative functions of the government and the establishment of the status of enterprise as the main subject of investment;
- the improvement of the government investment mechanism, and regulate the government investment acts;
- the strengthening and improvement of macro-control over investment;
- the strengthening and improvement of supervision over investment.

REGULATIONS ON THE POWER INDUSTRY

According to the Electric Power Law (《中華人民共和國電力法》) promulgated on December 28, 1995 and amended on August 27, 2009 and April 24, 2015, respectively. The administrative department of electric power under the State Council shall be responsible for the supervision and control of the electric power industry in the whole country. The departments concerned under the State Council shall be responsible for the supervision and control of the electric power industry within their own limits of authorities. The competent comprehensive administrative department of economy under the local people's government at county level or above is the administrative department of electric power within its own administrative region, and shall be responsible for the supervision and control of the electric power industry. Meanwhile, the electricity price shall be based on the principle of unified policy and unified pricing, and be managed at different levels.

The Electric Power Regulatory Ordinance (《電力監管條例》), which became effective on May 1, 2005, is formulated by the State Council for the purpose of strengthening electric power supervision, regulating the supervision of electric power, and improving the electric power supervisory system. It sets forth regulatory requirements to maintain the order of the electric power market, protect the legitimate rights and interests of those who invest in, manage or consume the electric power and the social public interests, to guarantee the safe and stable operation of the electric power system and to promote the sound development of the electric power industry.

Pursuant to the Administrative Regulations on Power Business Licenses (《電力業務許可證管理規定》, the "Power Business Licenses Regulations"), which was promulgated on September 28, 2005 by SERC, and became effective on December 1, 2005 and was revised and effected on May 30, 2015, the PRC power industry adopted the market-access permit system.

Pursuant to the Power Business Licenses Regulations, unless otherwise provided by the SERC, no company or individual in the PRC may engage in any electric power business (including power generation, transmission, dispatch and sales) without obtaining an electric power business permit issued by the SERC.

To apply for a business permit for power generation, the following conditions must be fulfilled:

- construction of the power generation plant has been examined and approved or verified by the relevant competent department;
- the power generation facilities have the capability of power generation; and
- the power generation project meets the relevant regulations on and requirements for environmental protection.

In addition, to apply for a business license for power supply, the following conditions must be fulfilled:

- having the business area of power supply that has been approved by the relevant competent department;
- having the power supply network as well as business outlets appropriate to the business of power supply it has applied for engaging in;
- having promised to perform the general social obligations of power services; and

- its power supply project meets the relevant regulations on and requirements for environmental protection.

Pursuant to the Regulations on Electric Power Supply and Consumption (《電力供應與使用條例》), which was promulgated on April 17, 1996, became effective on September 1, 1996, and was revised and effected on February 6, 2016, the establishment or change of electric power supply areas within the territory of a province, autonomous region, municipality directly under the Central Government, shall be applied for by the power supply enterprise, such an application shall be examined and approved by the administrative department of electric power under the people's government of the province, autonomous region, or municipality directly under the Central Government, in consultation with relevant departments at the same level; and upon approval, the said administrative department of electric power shall issue thereto a Permit for Electricity Supply. The establishment or change of an electricity supply area that involves two or more provinces, autonomous regions or municipalities directly under the Central Government shall be examined and approved by the administrative department of electric power under the State Council, which, upon approval, shall issue thereto the Permit for Electricity Supply.

According to the Measures on Supervision and Administration of the Work Safety of Electricity Industry (《電力安全生產監督管理辦法》, the "Measures on Supervision"), promulgated on February 17, 2015 and became effective on March 1, 2015, power generation, operation and supply must operate safely in accordance with the provisions as set by the local power grid. In case of extraordinary or serious physical accident, or accidents of power, equipment damage, power plant collapse or fires, power plants are required to report information regarding accidents of power and incidents of power safety, and commence emergency treatment in time, conduct investigation on incidents of power safety.

Pursuant to the Regulations on the Administration of Electric Power Dispatch to Networks and Grids (《電網調度管理條例》), which was promulgated by the State Council on June 29, 1993 and became effective on November 1, 1993 and was revised and effected on January 8, 2011, the power grid operation shall be implemented in accordance with centralized dispatching and grading management principles, and those grid-connected operating power generation plants and power grids shall be in compliance with centralized dispatching by the dispatch institutions. Additionally, these grid-connected operating power generation plants and power grids shall strictly perform with the grid-connected agreements, which shall be executed in accordance with the principle of equality and mutual benefit before grid-connected operation.

Pursuant to the Dispatch Regulations and the Implementation Measures for Regulations on the Administration of Electric Power Dispatch to Networks and Grids (《電網調度管理條例實施辦法》), which was implemented on October 11, 1994, dispatch centers are established at each of five levels: the national dispatch center, the dispatch centers of the interprovincial (autonomous regions and municipalities included) power grid, the dispatch centers of the provincial-level power grid, the dispatch centers of the power grid of municipalities under provinces and the dispatch centers of the county power grid. Each power plant receives on a daily basis from its local dispatch center a projected hour-by-hour output schedule for the following day, based on expected demand, the weather and other factors.

Pursuant to the Administrative Measures of Power Planning (《電力規劃管理辦法》), promulgated by the NEA on May 17, 2016, the NEA is the department in charge of power planning within the PRC, where the provincial energy department's mandate is at the level of the Province. Two authorities manage the power planning work at national and provincial levels, respectively, in accordance with the principles of "led by government, supported with institution research, followed by argumentation and consultation, participated by multiple parties, achieved by scientific decision-making."

Rural Power Grid

Pursuant to the Notice on Facilitating the Construction (Transformation) of Rural Power Grid (Ji Dian [1998] No. 73) (《國家發展計劃委員會關於加快農村電網建設(改造)工作有關問題的通知》(計電[1998]73號)), which was implemented on July 8, 1998, the construction of rural power grid shall implement the system of project capital funds (項目資本金制度), pursuant to which, project capital funds from electricity construction funds of central governmental fiscal appropriation (中央財政撥款) and electricity enterprises' own funds shall not be less than 20% of the total investment of rural power grid projects and the remaining funds is settled by loans with government subsidized interests (貼息貸款) we obtained from the banks as arranged by the government.

According to the Management Regulations of Collection and Use of the Rural Power Grid Transformation Repayment (Cai Qi [2001] No. 820) (《農網還貸資金徵收使用管理辦法的通知》(財企 [2001] 820號)) issued by the Finance Bureau of the PRC on December 17, 2001, the effective period of which was extended on January 8, 2007, it was specifically indicated that "One Province Multiple Borrowers (一省多貸)" policy is applicable to amongst other provinces of the PRC, Sichuan Province.

According to the Notice on Repayment of Upgrade and Transformation of Rural Power Grid (Jijiage [2001] No. 2466) issued by the National Development and Reform Commission and the Ministry of Finance of the PRC (《國家發展計劃委員會、財政部關於農網改造還貸有關問題的通知》 (計價格 [2001] 2466號)), which was implemented on November 23, 2001,the repayment to Construction Funds shall be collected from end-users at the rate of RMB2 cents per kilowatt hour which has been included in the electricity price to be paid by such users (the "RMB0.02 Repayment Plan (兩分錢還貸計劃)") after the expiration of the policy of electricity construction funds contributed by RMB2 cents per kilowatt hour during the period of the Ninth Five Year Plan, i.e. from 1996 to 2000 ("九五"期間). The funds from the RMB2 cents Repayment Plan (the "Rural Power Grid Repayment Funds" (農網還貸資金)) shall be specifically used for repayment of the principal and interests of the special purposed loan for the rural power grid projects.

According to the Notice on the Policy Issues Regarding Extension of Seventeen Governmental Funds Including Rural Power Grid Repayment Funds (Cai Zong [2007] No. 3) (《財政部關於延續農網還貸資金等17項政府性基金政策問題的通知》財綜[2007]3號) issued by the Ministry of Finance of the PRC on January 8, 2007, the Rural Power Grid Repayment Funds expired at the end of 2006 remain effective as approved by the State Council.

According to the Notice on Publication of Implementation Opinions of Collection, Utilization and Management of Rural Power Grid Repayment Funds (Chuan Ban Fa [2002] No. 24) (《四川省人民政府辦公廳關於印發四川省農網還貸資金徵收使用管理實施意見的通知(川辦發[2002]24號)》) issued by the People's Government of Sichuan Province on June 26, 2002, the utilization budgeting of Rural Power Grid Repayment Funds shall be compiled by the legal person at the provincial level of rural power grid projects in accordance with relevant regulations and approved by the Ministry of Finance of the PRC after reviewed by Sichuan Province Department of Finance and Sichuan DRC. For the approved utilization budgeting, the legal person at the provincial level of rural power grid projects may apply to the Ministry of Finance of the PRC for appropriation of Rural Power Grid Repayment Funds monthly. Each power grid operating enterprise should deduct certain exempted types of electricity sales before levying such Rural Power Grid Repayment Funds. The exempted part includes (i) electricity usage on the agricultural irrigation and drainage, disaster relief and the production of nitrogen fertilizer, phosphate fertilizer, potash fertilizer and those compound fertilizers permitted by the former Ministry of Chemical Industry; and (ii) self-owned power plant capacity, excluding the electricity of sales. In addition, electricity consumed by the state-owned key coal enterprises for production, nuclear industry uranium diffusion plants and heap chemical plants fall within the scope of reduced levy standard. A power grid operation enterprise that collects the Rural Power Grid Repayment Funds may withdraw commission fees at an annual rate of 0.02% of the collection amount, which is accounted for as the enterprise's accounts payable relating to salaries and wages. The amount of electricity that forms a part of the mutual power supply between electricity enterprises is also subject to the Rural Power Grid Repayment Funds. When paying the Rural Power Grid Repayment Funds, such electricity enterprises should deduct the applicable amount of Rural Power Grid Repayment Funds from the amount of electricity revenue generated from the mutual power supply between these enterprises. The utilization budgeting and appropriation application of local electricity companies are coordinated and integrated by the legal person at the provincial level of rural power grid projects.

Pursuant to the Notice on Publication of Management Regulations (Fagaiban Energy [2016] No. 671) (《國家發展改革委辦公廳關於印發<新一輪農村電網改造升級項目項目管理辦法>的通知》(發改辦能源[2016]671號)),which was implemented on March 15, 2016, the program management of Rural Power Grid's Upgrade and Transformation should follow the principle of "unified management, hierarchical responsibility, organized by government, implementation by enterprise, strengthening regulation, improving benefits." Under the leadership and supervision of government organization at all levels, the eligible local electricity companies are responsible for the construction of the program. The construction fund of Rural Power Grid's Upgrade and Transformation program shall be raised from various channels, following the principle of "enterprises as the main body, government as the supporter." The construction for the Rural Power Grid's Upgrade and Transformation should have the basic construction procedure executed in strict rotation, carrying out corporation liability system, capital system, bidding and tendering system, engineering supervision system, and contract management system.

Pricing Rule

According to the Power Tariff Reform Plan (《電價改革方案》, the "Reform Plan"), approved by the State Council on July 9, 2003, the reform of power tariff constitutes a significant part of the reform of electricity power system, and is of importance to establish, strengthen and optimize the electricity market and power resource. Accordingly, a long-term objective is set up therein, which is, on the basis of consistently deepening the reform of electricity power system, to establish a standardized and transparent power tariff managing mechanism.

On March 28, 2005, the NDRC formally promulgated the implementation measures of tariff reform, including Interim Provisions for the Administration of Grid Power Price (《上網電價管理暫行辦法》), Interim Provisions for the Administration of Power Transmission and Distribution Prices (《輸配電價管理暫行辦法》) and Interim Provisions for the Administration of Power Selling Prices (《銷售電價管理暫行辦法》), which specified the authorities of tariff management and regulated the pricing mechanism of grid power, the power transmission and distribution and the sales of power.

Pursuant to the Provisional Measures for the Administration of On-grid Tariff (《上網電價管理暫行辦法》), which is promulgated on March 28, 2005 and became effective on May 1, 2005, for power plants within the regional grids that have not implemented competitive bidding mechanisms, on-grid tariffs will be determined and announced by relevant pricing bureaus based on production costs plus a reasonable investment return. For power plants within the regional grids that have implemented competitive bidding tariff-setting mechanisms, on-grid tariffs are two folds: (i) a capacity tariff determined by the NDRC based on the average investment cost of the power generators competing within the same regional grid; and (ii) a competitive tariff determined through the competitive bidding process.

According to the Notice on Standardizing the Management of Electricity Trading Prices and others (《關於規範電能交易價格管理等有關問題的通知》), issued and effected on October 11, 2009, except for inter-provincial or inter-regional power transactions, all on-grid tariffs shall be determined according to the tariffs set by the government department in charge of tariffs (exceptions stipulated by the state excluded). All renewable energy operators (excluding hydropower operators) must follow the on-grid tariffs as approved by the departments in charge of tariffs.

According to the Certain Opinion of the CPC Central Committee and the State Council on Further Implementation of System Reform in Electricity Industry (《中共中央、國務院關於進一步深化電力體制改革的若干意見》), which was promulgated on March 15, 2015, by the CPC Central Committee and the State Council, it provided that except for the public welfare situation, the power selling price and on-grid power price formed by the market will be implemented step by step. Such Opinion has further provided that the on-grid power price of such power generation enterprises that participate in the power market transactions would be determined independently by the power generation enterprises, the users or the electricity selling institutions through negotiation, market competitive bidding or any other methods.

Furthermore, the users' purchasing price would constitute three main parts, namely, (i) the market transaction price; (ii) power transmission and distribution price, including line loss; and (iii) governmental funds and the other on-grid power price, which was not a result of directly participating in the power market transactions or market competitive bidding transactions. The power consumption of residents, agriculture, important public utilities and public welfare services shall continually be regulated and formed by the government.

According to the NDRC No. 5 Announcement of 2017 (《國家發展和改革委員會公告2017年第5號》), which was promulgated on July 13, 2017 by the NDRC, the NDRC decided to abolish certain price regulation and management documentation, among which, the Notice on Printing of the Implementation of Reform of Power Tariff (《關於印發電價改革實施辦法的通知》) issued by the NDRC on March 28, 2005 had three attachments, namely, Interim Provisions for the Administration of Grid Power Price (《上網電價管理暫行辦法》), Interim Provisions for the Administration of Power Transmission and Distribution Prices (《輸配電價管理暫行辦法》) and Interim Provisions for the Administration of Power Selling Prices (《銷售電價管理暫行辦法》). These regulations were abolished for the purpose of further reducing the administrative intervention by the government, optimizing services and advancing legal administration and price management. After the abolishment of such implementation of power price reform, the Sichuan Development and Reform Commission has issued the Notice of Pricing Catalogue of Sichuan Province (《關於印發<四川省定價目錄>的通知》) and the Notice of Adjustment of the Provincial Power Grid Management Jurisdiction and Related Issues (《關於調整省屬電網電價管理權限有關事項的通知》) in April and May of 2018 to regulate that the transmission and distribution price, power selling price of provincial power grid enterprises and the grid power price of such power generation entities dispatched by provincial power grid enterprises would be determined by the provincial pricing administrative authorities. Our subsidiaries, including Yibin Electricity, Xingwen Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity and Junlian Electricity, are included in the catalogue of the provincial power grid enterprises, which are subject to the power tariff management by the Sichuan Development and Reform Commission.

BUSINESS QUALIFICATIONS AND LICENSES

Electric Power Business Licenses

According to the Power Business Licenses Regulations, an enterprise that engages in any electric power business scope including power generation, power transmission and power supply within the territory of the PRC shall obtain the electric power business license. Unless the special circumstances as prescribed by the SERC arise, no enterprise or individual may engage in any electric power business before obtaining an electric power business license.

The electric power business license shall be divided into 3 categories: power generation, power transmission and power supply and the term of validity of an electric power business license is twenty years. The electric power units shall reapply for the recertification within 30 days prior to its expiration.

Power Supply Business License

Pursuant to the Regulations on Electric Power Supply and Consumption and the Classification and Management Measures of Power Supply Business Areas (《供電營業區劃分及管理辦法》), with respect to the establishment of and changes to the power supply business areas within the Provinces, autonomous regions and municipalities, the power supply enterprises shall apply for the setting of power supply business areas. After the application is reviewed and approved by power management departments of the people's government of the Provinces, autonomous regions and municipalities and the relevant departments of similar levels, the Power Supply Business License shall be issued by the abovementioned power management departments.

Water Collection License

The PRC Laws and regulations regulating water collection include (i) Water Law of the PRC (《中華人民共和國水法》), which was promulgated by the Standing Committee of National People's Congress (the "NPC Standing Committee") on January 21, 1988 and amended on August 29, 2002, August 27, 2009 and July 2, 2016; (ii) the Regulations on Administration of Water Collection License and Collection of Water Resources Charges (《取水許可和水資源費徵收管理條例》), which was promulgated on February 21, 2006 and implemented on April 15, 2006 and amended on March 1, 2017 by the State Council; and (iii) the Measures on Administration of Water Collection License (《取水許可管理辦法》), which was promulgated and implemented on April 9, 2008 and was revised and came into effect on December 16, 2015 and December 22, 2017 by the Ministry of Water Resources. According to such laws and regulations, except for those who are not required to apply for water intake permit under the legal requirements, entities and individuals, which obtain water resources from rivers, lakes and underground water and have water extradition works or facilities completed and operated for over 30-days, shall, in accordance with the provisions of the water collection system and the system of paid use of state water resources, apply to the water administration departments or water shed authorities for a water collection license, and pay the water resource fees and thus obtain the right to collect water. Water collection entities or individuals shall collect water according to the approved annual water collection plan. In the event that the water collection exceeds the limit under the plan or a fixed amount, water resources fee shall be paid on the excess part.

Water collection license generally lasts for five years but no more than ten years. Upon the expiration of the valid term, water collection entities or individuals who seek for extension shall submit their applications to the former approval authorities within 45 days prior to the expiration.

Permit for Installing (Repairing, Debugging) Electric Power Facilities

Pursuant to the Administration of Permit for Installing (Repairing, Debugging) Electric Power Facilities (《承裝(修、試)電力設施許可證管理辦法》), as promulgated by SERC on December 12, 2004 and become effective on March 1, 2005, amended on December 9, 2009 and came into effect on March 1, 2010 and subsequently revised and effected on May 30, 2015, to engage in business on the installing, repairing and debugging of electric power facilities, which specifically refers to the installing, repairing and debugging of facilities for electricity transmission, electricity supply and electricity receiving, within the territory of the PRC, a permit thereof shall be obtained in accordance with the said regulation. The abovementioned permit includes three types, namely installing permit, repairing permit and debugging permit.

Construction Enterprise Qualification Certificate

According to the Construction Industry Enterprise Qualification Management Regulation (《建築業企業資質管理規定》), which was promulgated on January 22, 2015 and became effective on March 1, 2015, and was revised on September 13, 2016 and become effective on October 20, 2016, the construction enterprise, which are engaged in the business of construction engineering and line piping equipment installation projects shall obtain the Construction Enterprise Qualification Certificate.

Work Safety License

According to the Regulation on Work Safety Licenses (《安全生產許可證條例》) promulgated and implemented on January 13, 2004 and amended on July 18, 2013 and July 29, 2014, the state applies a work safety licensing system to enterprises engaged in construction. Before starting production, a construction enterprise shall apply for the work safety license to the department in charge of the issuance and administration of work safety licenses. No construction enterprises may engage in production activities without work safety licenses.

The administrative departments of construction under the people's governments of provinces, autonomous regions, and municipalities directly under the Central Government shall be in charge of issuance and administration of work safety licenses for construction enterprises, and be subject to the guidance and supervision of the administrative department of construction under the State Council. The valid period for a work safety license shall be 3 years.

PRC Laws and Regulations Relating To Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated and implemented on December 26, 1989 by the NPC Standing Committee, entities which caused environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and harm done to the environment. The design, construction and commission of facilities for prevention and control of pollution shall be conducted at the same time with that of the main body of the construction project. No permission shall be given for a construction project to be commissioned or used, until its facilities for the prevention and control of pollution are examined and accepted by the competent administrative department of environmental protection. The amended Environmental Protection Law of the PRC was promulgated on April 24, 2014, and has been implemented on January 1, 2015.

In addition to the provisions contained in the former Environmental Protection Law of the PRC, the amended Environmental Protection Law of the PRC added the following key provisions: The State adopts policies and measures relating to finance, taxation, pricing and government procurement to encourage and support the development of environmental protection industries related to environmental protection technologies and equipment, and the integrated use of resources and environmental services. When enterprises, public institutions and other producers and business operators reduce pollution levels beyond the statutory discharge standards, the relevant government entities extend encouragement and support through fiscal assistance, favorable taxation, pricing and government procurement policies.

According to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002 and came into effect on September 1, 2003 and revised on July 2, 2016 and came into effect on September 1, 2016 and the Rule on Classification for Environmental Impact Assessment of Construction Projects (《建設項目環境影響評價文件分級審批規定》) promulgated by the Ministry of Environmental Protection of the PRC on January 16, 2009, and came into effect on March 1, 2009, the PRC government has established a system to appraise the environmental impact of construction projects and classify the appraisal based on the degree of environmental impact caused by the construction project. In the event of significant environmental impact, an environmental impact appraisal report shall include a comprehensive appraisal on the possible environmental impact; in the event of slight environmental impact, an environmental impact report shall include a basic analysis or appraisal on the environmental impact; and in the event of minimal environmental impact so that it is not necessary to conduct an environmental impact appraisal, an environmental impact form shall be filed. The registered report should be approved by competent administrative department before starting construction.

According to the Rules on the Administration concerning Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated and implemented on November 29, 1998, and the Decision of the State Council on Revising the Administrative Regulations on the Environmental Protection of Construction Projects (國務院關於修改《建設項目環境保護管理條例》的決定), which was promulgated on July 16, 2017 and will become effective on October 1, 2017, for a construction project, for which the environmental impact report and the environmental impact statement are required to be compiled according to the law, the construction unit shall, prior to the start of construction, report the environmental impact report and the environmental impact statement to the competent department of environmental protection administration with authority for examination and approval. If the construction project environmental impact evaluation documents have not been examined or approved upon examination by the examination and approval authority according to the law, the construction unit may not start the construction project. After the construction of a construction project for which an environmental impact report or environmental impact statement is prepared is completed, the construction unit shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

LAND, PLANNING AND CONSTRUCTION PERMITS

Land Use Rights

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on June 25, 1986 and amended on December 29, 1988, August 29, 1998 and August 28, 2004, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The People's Government at or above the county level shall register and put on record the uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights.

According to the Order of the Ministry of Land and Resources on Promulgating the Land Allocation Catalog (《國土資源部關於發布《劃撥用地目錄》的命令》) promulgated and implemented on October 22, 2001, the land use rights of construction projects, which are in conformity with the Catalog, can only be allotted through application by the construction units and subsequent approval of the People's Government with the appropriate authority.

Construction Land Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the NPC Standing Committee on October 28, 2007 and amended on April 24, 2015, a Construction Land Planning Permit is required for the use of both allocated land and granted land.

If a construction entity that was authorized to use the construction land fails to obtain a Construction Land Planning Permit, the People's Government at or above the county level shall cancel any relevant authorization documents previously issued. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to law.

Construction Work Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the People's Government at the municipal or county level or to the People's Government of town as recognized by the People's Government of a province, autonomous region or municipality directly under the Central Government.

For the construction work that proceeds without the Construction Work Planning Permit or in violation of the provisions of the Construction Work Planning Permit, a competent urban and rural planning administrative department at or above the county level can order termination; if the impact on the planning caused by such construction can be eliminated, the department shall order it to take remedial action within a prescribed time limit and pay a fine of not less than 5% but not exceeding 10% of the construction cost. If such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish its construction within a prescribed time limit. For construction work that cannot be demolished, the department shall not only confiscate it or seize any illegal income but also may impose a fine of not more than 10% of the construction price.

Construction Work Commencement Permit

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the NPC Standing Committee on November 1, 1997 and implemented on March 1, 1998 and its amendment formally issued on April 22, 2011, a construction entity shall, prior to the commencement of a construction project, apply for a Construction Work

Commencement Permit from a competent department of the construction administration of the People's Government at or above the county level of the place where the project is located pursuant to the relevant regulations of the State. However, small projects determined by the competent department of construction administration of the State Council, and construction projects, which have already obtained approvals for their construction commencement report pursuant to the terms of reference and procedures prescribed by the State Council, are subject to exception.

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) promulgated by the State Council and implemented on January 30, 2000 and revised and became effective on October 7, 2017, a construction entity commencing the project without obtaining the Construction Work Commencement Permit or approvals for its construction commencement report, shall be ordered to stop the construction work, carry out remedial actions within a prescribed time limit and pay a fine of not less than 1% but not exceeding 2% of the construction price.

Inspection and Acceptance on Completion of Construction Projects

According to the Rules on the Administration of Construction Quality (《建設工程質量管理條例》) promulgated and implemented on January 30, 2000, a construction project shall not be delivered for use unless it has passed the acceptance checks. The construction entity should file a record to a competent construction administrative department at or above the county level at the place where the project is located within 15 days from the day when the construction project passes the acceptance checks.

Where a construction entity illegally delivers the construction project for use without obtaining the acceptance checks or in circumstances where it failed to pass the acceptance checks, it shall be ordered to carry out remedial actions and also pay a fine of not less than 2% but not exceeding 4% of the contractual project price, and shall be obliged to pay compensation according to the law if any losses have been caused. If the construction entity fails to file a record of passing the acceptance checks in respect of the project within 15 days from the day when the construction project passes such checks, it shall be ordered to carry out remedial actions within a prescribed time limit and shall be fined not less than RMB200,000 but not exceeding RMB500,000.

LEGAL SUPERVISION OVER THE LABOR PROTECTION IN CHINA

Labor Law of the PRC

The Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the NPC Standing Committee on July 5, 1994 and became effective on January 1, 1995, and was amended on August 27, 2009, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health systems, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards.

Labor Contract Law of the PRC and its Implementation Regulations

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the "Labor Contract Law"), which was promulgated by the NPC Standing Committee on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and implemented on September 18, 2008, regulate parties to a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

Laws and Regulations on the Supervision over the Social Security and Housing Funds

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and implemented on January 22, 1999, the Regulations on Work Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and was amended on December 20, 2010, the Regulations on Unemployment Insurance (《失業保險條例》), which was promulgated by the State Council and implemented on January 22, 1999, and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labor on December 14, 1994 and implemented on January 1, 1995, enterprises in PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and became effective on July 1, 2011, regulates basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council and came into effective on April 3, 1999, and was amended on March 24, 2002, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer all belong to the individual employee.

INTRODUCTION

The history of our Group can be traced back to September 2011 when our Company was established by our Founders as a joint stock company with limited liabilities pursuant to the Founders Agreement with cash and equity interest in certain companies which are engaged in power supply in the Seven Counties and Districts.

Our Group is currently primarily engaged in (i) power business, which includes power generation and power supply; and (ii) EECS business, which consists of engineering construction service and sales of electric equipment and materials. We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. For further details of the principal business of our Group, please see the section headed "Business — Overview" in this prospectus.

BUSINESS MILESTONES

The table below sets out the key milestones in the development of our business:

Date	Event
August 2011	Obtained the approval from the State-owned Assets Supervision and Administration Commission of Sichuan Province for the establishment of our Company
September 2011	Establishment of our Company as a joint stock company in the PRC with an initial registered capital of RMB805,557,700
May 2012	Establishment of Junlian Electricity as a wholly-owned subsidiary of our Company for power supply in Junlian County, Sichuan Province
June 2012	Establishment of Yibin Electricity as a wholly-owned subsidiary of our Company for power generation and supply in Yibin County, Sichuan Province
August 2012	Acquisition of 100% equity interests in Gong County Electricity from Hydropower Group for power generation and supply in Gong County, Sichuan Province
June 2015	Acquisition of 100% equity interests in Electricity Engineering Construction from Yibin Electricity for inspection and maintenance of transformer substations, hydropower stations and electricity transmission lines

Date	Event
September 2015	Obtained the title of "Most Innovative Enterprise in the PRC for the Year 2015" at the "6th Chinese Enterprises Innovation Day and 2015 Chinese Enterprises Innovation Forum" held by Chinese Association of Productivity Service
February 2016	Commissioning of Yujing Substation, our Group's first 220 kV transformer substation
April 2016	Acquisition of 49% equity interests in Yangliutan Power Generation from Jinxinghe Investment
September 2016	Establishment of Yibin City Electricity Sales for sales of electricity
April 2017	Establishment of Yuejiang Power Generation for power generation in Gao County, Sichuan Province

OUR COMPANY

Establishment of Our Company

Our Company was established on September 29, 2011 with an initial registered capital of RMB805,557,700, divided into 805,557,700 Shares with a par value of RMB1.00 each, all of which were subscribed for by our Founders at an aggregate consideration of RMB1,232,503,500, which was fully settled by our Founders in September 2012 in cash or equity interest in certain companies which are engaged in power supply. Set out below are the details of our Founders' contribution to the establishment of our Company:

Our Founders	Contribution	Percentage of the total Shares of our Company
Hydropower Group	100% of the equity interests of Pingshan Electricity, 66% of the equity interests of Gao County Electricity, 65% of the equity interests of Xingwen Electricity and 51% of the equity interests of Yangliutan Power Generation, in the value of RMB603,429,600	48.96%
Sichuan Fund	RMB300,000,000 in cash	24.34%
Gao County State-owned Assets Co.	34% of the equity interests of Gao County Electricity, in the value of RMB141,381,200	11.47%
Yibin State-owned Assets Co.	RMB100,000,000 in cash	8.11%

Our Founders	Contribution	Percentage of the total Shares of our Company
Xingwen County Urban Construction Co.	35% of the equity interests of Xingwen Electricity, in the value of RMB38,538,100	3.13%
Sichuan Development Co.	RMB38,154,600 in cash	3.10%
Junlian County State-owned Assets Co.	RMB11,000,000 in cash	0.89%

For further details of our Founders, please see the paragraph headed "Information of Our Founders and Existing Shareholders" in this section.

Share Transfer from Sichuan Fund to China Power and Three Gorges Capital

Principal Terms

On September 2, 2016, Sichuan Fund and China Power entered into a share transfer agreement, pursuant to which Sichuan Fund agreed to transfer and China Power agreed to acquire 12.17% of the total Shares of our Company at a consideration of RMB198,385,000, which was determined with reference to the then appraisal value of our Company as of 31 December 2015. The consideration for the aforesaid share transfer has been fully paid and the share transfer has been legally completed. Upon the completion of the share transfer on October 21, 2016, China Power held 12.17% of the total Shares of our Company.

On the same date, Sichuan Fund and Three Gorges Capital entered into a share transfer agreement pursuant to which Sichuan Fund agreed to transfer and Three Gorges Capital agreed to acquire 12.17% of the total Shares of our Company at a consideration of RMB198,385,000, which was determined with reference to the then appraisal value of our Company as of 31 December 2015. The consideration for the aforesaid share transfer has been fully paid and the share transfer has been legally completed. Upon the completion of the share transfer on October 21, 2016, Three Gorges Capital held 12.17% of the total Shares of our Company.

Upon Listing, China Power and Three Gorges Capital will hold 98,039,200 Shares, representing 9.13% of the then total Shares and 98,039,200 Shares, representing 9.13% of the then total Shares, assuming the Over-allotment Option is not exercised at all. The cost per Share paid by each of China Power and Three Gorges Capital is approximately HK$2.33, respectively, representing a premium of approximately 32.39% over and above the low end of the stated Offer Price range of HK$1.76, and a discount of approximately 0.43% to the high end of the stated Offer Price range of HK$2.34.

Strategic Benefits Brought by Introducing China Power and Three Gorges Capital as Our Shareholders

Our Directors are of the view that our Group can benefit from such pre-IPO investments as they serve as an endorsement of our Group's performance, strength and prospects.

Special Rights

China Power and Three Gorges Capital do not enjoy any special right under the share transfer agreements disclosed above. Our Company does not grant any other special right to them separately.

Background and Independence

Please refer to the section headed "History and Corporate Structure — Information of our Founders and Existing Shareholders" in this prospectus for the background of China Power and Three Gorges Capital. Both of them are independent third parties to our Company and its connected persons immediately prior to their investment.

Lock-up Restriction and Effect on Public Float

The Company Law provides that in relation to a public offering of a company, the shares issued by a company prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Therefore, the Shares held by China Power and Three Gorges Capital would be subject to a lock-up period of one year after the H Share Listing. These Shares would not be considered as part of the public float because the Shares held by China Power and Three Gorges Capital upon Listing are Unlisted Foreign Shares and Domestic Shares, respectively.

Sponsor View

The Sole Sponsor confirmed that (i) the transactions contemplated under the aforesaid share transfer agreements are in compliance with the "Interim Guidance on Pre-IPO Investments" issued by the Stock Exchange as the consideration in relation to the aforementioned equity transfer agreements was settled on or before September 16, 2016, which was more than 28 clear days before the submission of the first application form to the Stock Exchange in relation to the H Share Listing; and (ii) the disclosure in respect of the pre-IPO investment in this prospectus is in compliance with the "Guidance on Pre-IPO investments" issued by the Stock Exchange.

Assignment of Shares from Xingwen County Urban Construction Co. to Xingwen County Development Investment

Xingwen County Development Investment and Xingwen County Urban Constructions Co. are under common control of Xingwen County Finance Bureau. According to the Notice Regarding Assets Transfer between Xingwen County Development Investment and Xingwen County Urban Construction Co. issued by Xingwen County Finance Bureau* (興文縣財政局) on January 19, 2016, Xingwen County Finance Bureau designated Xingwen County Development Investment to take the 3.13% of the total Shares of our Company held by Xingwen County Urban Construction Co. solely due to an internal restructuring of Xingwen County Finance Bureau. None of our Company nor our then existing Shareholders derived any cash or other interest from such share assignment. Thus, it was not treated as a pre-IPO investment in our Company. On July 19, 2016, such assignment of shares was completed by transfer of State-owned assets at nil consideration (國有資產無償劃轉) and Xingwen County Development Investment held 3.13% of the total Shares of our Company. For further details of Xingwen County Development Investment, please see the paragraph headed "Information of Our Founders and Existing Shareholders" in this section.

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had 11 subsidiaries, including Yibin Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity, Junlian Electricity, Xingwen Electricity, Electricity Engineering Construction, Yangliutan Power Generation, Yibin City Electricity Sales, Yibin Changyuan and Yuejiang Power Generation. Details of our subsidiaries are set out below:

Yibin Electricity

Yibin Electricity is primarily engaged in power generation and supply in Yibin County[1], Sichuan Province.

Yibin Electricity was established under the laws of the PRC as a limited liability company on June 18, 2012, with a registered capital of RMB60,000,000. Yibin Electricity commenced its business operation in November 2012. Yibin Electricity has been held by our Company since its establishment.

On August 8, 2012, Yibin Electricity and Sichuan Province Hydropower Investment Management Group Yibin Changyuan Electricity Co., Ltd.* (四川省水電投資經營集團宜賓長源電力有限公司), which was a wholly-owned subsidiary of Hydropower Group, entered into an assets transfer agreement, pursuant to which Sichuan Province Hydropower Investment Management Group Yibin Changyuan Electricity Co., Ltd.* (四川省水電投資經營集團宜賓長源電力有限公司) transferred all of its assets to Yibin Electricity at the consideration of RMB125,435,900, which was determined based on the appraisal value of these assets as at September 30, 2011. Such assets included 100% equity interests of Yibin Changyuan. The assets transfer was completed on May 14, 2013 and accordingly Yibin Changyuan became a wholly owned subsidiary of Yibin Electricity.

Pingshan Electricity

Pingshan Electricity is primarily engaged in power generation and supply in Pingshan County, Sichuan Province.

Pingshan Electricity, formerly known as Pingshan County Junshan Electricity Co., Ltd.* (屏山縣君山電力有限責任公司), was originally an enterprise owned by the whole people (全民所有制企業) and commenced business in July 2008. It was established under the laws of the PRC as a limited liability company on July 30, 2008, with a registered capital of RMB111,111,400. Pingshan Electricity had been wholly owned by Hydropower Group since May 12, 2010 till June 2011.

In June 2011, pursuant to the Founders Agreement, Hydropower Group transferred 100% of the equity interests of Pingshan Electricity to our Company as capital contribution for the establishment of our Company. As a result, immediately upon the establishment of our Company, Pingshan Electricity became a wholly-owned subsidiary of our Company and was re-named as Sichuan Energy Power Investment Pingshan Electricity Co., Ltd.* (四川能投屏山電力有限公司).

Note:

(1) On July 23, 2018, the State Council approved an administrative division adjustment plan by Yibin City, Sichuan Province, to abolish Yibin County, and designated certain areas of such county to Xuzhou District (敘州區) in Yibin City, and the remaining areas of such county to Cuiping District (翠屏區) in Yibin City and such towns originally within Yibin County were separately divided into the administration of Xuzhou District and Cuiping District. As advised by our PRC Legal Advisors, such administrative division adjustment plan as approved by the State Council did not alter or amend our power supply service area but only re-divided those towns within our supply service area in Yibin County into Xuzhou District or Cuiping District.

Gong County Electricity

Gong County Electricity is primarily engaged in power generation and supply in Gong County, Sichuan Province.

Gong County Electricity, formerly known as Sichuan Province Gong County Hongli Electricity Co., Ltd.* (四川省珙縣弘利電力有限責任公司), was originally an enterprise owned by the whole people (全民所有制企業) and commenced business in December 1994. It was established under the laws of the PRC as a limited liability company on December 29, 1994, with a registered capital of RMB4,570,000. On September 7, 2009, the registered capital of Gong County Electricity was increased from RMB4,570,000 to RMB11,960,000. Gong County Electricity had been wholly owned by Hydropower Group since December 2, 2010 until August 2012.

On August 8, 2012, Hydropower Group and our Company entered into a share transfer agreement, pursuant to which Hydropower Group agreed to transfer and our Company agreed to acquire 100% equity interests in Gong County Electricity at a consideration of RMB114,500,000, determined based on arm's length negotiation between the parties taking into account the net asset value of Gong County Electricity as of June 30, 2012. Immediately upon completion of the acquisition on October 8, 2013, Gong County Electricity became a wholly-owned subsidiary of our Company and was re-named as Sichuan Energy Power Investment Gong County Electricity Co., Ltd.* (四川能投珙縣電力有限公司).

Gao County Electricity

Gao County Electricity is primarily engaged in power generation and supply in Gao County, Sichuan Province.

Gao County Electricity, formerly known as Sichuan Province Gao County Electricity Head Company* (四川省高縣電力總公司), was originally an enterprise owned by the whole people (全民所有制企業) and commenced business in January 1996. It was established under the laws of the PRC as a limited liability company on January 30, 1996, with a registered capital of RMB36,372,500. Upon establishment, Gao County Electricity was held as to 66% by Hydropower Group and 34% by Gao County State-owned Assets Co. On July 4, 2008, the registered capital of Gao County Electricity was increased from RMB36,372,500 to RMB81,100,000.

In September 2011, pursuant to the Founders Agreement, Hydropower Group and Gao County State-owned Assets Co. contributed their respective equity interests of Gao County Electricity, representing 100% equity interest of Gao County Electricity as capital contribution for the establishment of our Company. As a result, Gao County Electricity became a wholly-owned subsidiary of our Company and was re-named as Sichuan Energy Power Investment Gao County Electricity Co., Ltd.* (四川能投高縣電力有限公司).

On April 26, 2017, Yuejiang Power Generation was split from Gao County Electricity and newly established as a separate entity. Yuejiang Power Generation held Yuejiang power plant with reservoir storage of 35,600,000 m^3 located in Yuejiang County, Sichuan Province in the value of RMB3,000,000. As such, on June 26, 2017, the registered capital of Gao County Electricity was accordingly reduced from RMB81,100,000 to RMB78,100,000.

Junlian Electricity

Junlian Electricity is primarily engaged in the power supply in Junlian County, Sichuan Province.

Junlian Electricity was established under the laws of the PRC as a limited liability company by our Company on May 21, 2012, with a registered capital of RMB40,000,000. During the establishment, Junlian Electricity acquired all assets of Sichuan Province Hydropower Investment and Management Group Junlian Co., Ltd.* (四川省水電投資集團筠連電力有限公司), which was a subsidiary of Hydropower Group pursuant to an assets transfer agreement dated May 21, 2012 at a consideration of RMB104,825,800, determined based on appraisal value of such assets as of September 30, 2011.

Xingwen Electricity

Xingwen Electricity is primarily engaged in the power supply in Xingwen County, Sichuan Province.

Xingwen Electricity, formerly known as Xingwen County Electricity Co., Ltd.* (興文縣電力有限責任公司), was established under the laws of the PRC as a limited liability company on April 3, 1998, with a registered capital of RMB10,800,000. Upon establishment, Xingwen Electricity was held as to 65% by Hydropower Group and 35% by Xingwen County Urban Construction Co.. Xingwen Electricity commenced its business in April 1998. On September 9, 2005, the registered capital of Xingwen Electricity was increased from RMB10,800,000 to RMB32,020,000.

In September 2011, pursuant to the Founders Agreement, Hydropower Group and Xingwen County Urban Construction Co. transferred their respective equity interests of Xingwen Electricity, representing 100% equity interests of Xingwen Electricity as capital contribution for the establishment of our Company. As a result, immediately upon the establishment of our Company, Xingwen Electricity became a wholly-owned subsidiary of our Company in December 2011 and was re-named as Sichuan Energy Power Investment Xingwen County Electricity Co., Ltd.* (四川能投興文電力有限公司) in January 2012.

Electricity Engineering Construction

Electricity Engineering Construction is primarily engaged in inspection and maintenance of transformer substations, hydropower stations and electricity transmission lines.

Electricity Engineering Construction, formerly known as Yibin County Changyuan Electricity Development Co., Ltd.* (宜賓縣長源電力開發有限公司), was originally an enterprise owned by the whole people (全民所有制企業) and commenced business in November 1996. It was established under the laws of the PRC as a limited liability company on November 5, 1996, with a registered capital of RMB300,000. Electricity Engineering Construction had been wholly owned by Yibin Electricity, one of our subsidiaries, upon its establishment.

With a view to streamlining our Group structure, on May 21, 2015, our Company acquired 100% equity interests in Electricity Engineering Construction from Yibin Electricity, at a consideration of approximately RMB1,400,241, determined based on the appraisal value of Electricity Engineering Construction as at December 31, 2014 and was settled by our Company on January 29, 2016. The acquisition was within our Group and immediately upon completion of the acquisition, Electricity Engineering Construction became a wholly-owned subsidiary of our Company and was re-named as Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd.* (四川能投宜賓電力工程建設有限公司).

On June 3, 2015, the registered capital of Electricity Engineering Construction was increased from RMB300,000 to RMB20,300,000, which has been fully paid up by our Company as at the Latest Practicable Date. The payment schedule is in line with the articles of association of Electricity Engineering Construction.

Yangliutan Power Generation

Yangliutan Power Generation is primarily engaged in hydropower generation in Yangliutan, Yunnan Province.

Yangliutan Power Generation was established under the laws of the PRC as a limited liability company on July 6, 2004, with a registered capital of RMB10,000,000. Yangliutan Power Generation commenced its business in July 2004.

In September 2011, pursuant to the Founders Agreement, Hydropower Group contributed 51% equity interests of Yangliutan Power Generation to our Company as capital contribution for the establishment of our Company. As a result Yangliutan Power Generation became a non-wholly owned subsidiary of our Company in December 2011.

Immediately prior to the equity transfer mentioned below, Yangliutan Power Generation was held as to 51% by our Company and 49% by Jinxinghe Investment. On April 20, 2016, our Company and Jinxinghe Investment entered into an equity transfer agreement, pursuant to which, Jinxinghe Investment agreed to transfer and our Company agreed to acquire 49% of equity interests of Yangliutan Power Generation at a consideration of RMB193,810,800, determined based on the appraisal value of Yangliutan Power Generation as at October 31, 2015. Upon completion of the equity transfer on April 20, 2016, Yangliutan Power Generation became a wholly-owned subsidiary of our Company.

Yibin City Electricity Sales

Yibin City Electricity Sales is primarily engaged in the purchase and sale of electricity and agency business, incremental distribution network business and other value-added energy internet business.

Yibin City Electricity Sales was established under the laws of the PRC as a limited liability company on September 28, 2016, with a registered capital of RMB22,000,000. Our Company held 74% of the equity interests in Yibin City Electricity Sales and Yibin State-owned Assets Co. held 26% of the equity interests in Yibin City Electricity Sales since its establishment. Yibin City Electricity Sales commenced its business operation in April 2017.

Yibin Changyuan

Yibin Changyuan is primarily engaged in installation and maintenance of electricity lines and maintenance of hydropower projects in Yibin County*(Note)*, Sichuan Province.

Yibin Changyuan was established under the laws of the PRC as a limited liability company on November 23, 1998, with a registered capital of RMB500,000. Upon establishment, Yibin Changyuan was wholly-owned by Sichuan Province Hydropower Investment and Management Group Yibin Changyuan Electricity Co., Ltd.* (四川省水電投資經營集團宜賓長源電力有限公司), which was a subsidiary of Hydropower Group. Yibin Electricity acquired all assets from Sichuan Province Hydropower Investment and Management Group Yibin Changyuan Electricity Co., Ltd.* (四川省水電投資經營集團宜賓長源電力有限公司), which included 100% equity interests of Yibin Changyuan. Reference is made to the section headed "History and Corporate Structure — Our Subsidiaries — Yibin Electricity". Upon completion of the transfer of all assets from Sichuan Province Hydropower Investment Management Group Yibin Changyuan Electricity Co., Ltd.* (四川省水電投資經營集團長源電力有限公司) to Yibin Electricity, Yibin Changyuan became a wholly owned subsidiary of Yibin Electricity on May 14, 2013.

On January 18, 2016, the registered capital of Yibin Changyuan was increased from RMB500,000 to RMB5,000,000. It is expected that the registered capital will be paid in full by December 31, 2020. The payment schedule is in line with the articles of association of Yibin Changyuan.

Yuejiang Power Generation

Yuejiang Power Generation is primarily engaged in power generation in Gao County, Sichuan Province.

Yuejiang Power Generation was established by split from Gao County Electricity under the laws of the PRC as a limited liability company on April 26, 2017, with a registered capital of RMB3,000,000. For further details, please refer to the section headed "History and Corporate Structure — Our Subsidiaries — Gao County Electricity" in this prospectus.

Views of Our PRC Legal Advisors

Our PRC Legal Advisors are of the view that the aforementioned establishment, acquisitions, capital increase and capital reduction are legally effective and binding on the relevant parties, and have been properly and legally performed in accordance with the PRC laws and regulations, and all the applicable regulatory approvals and/or permits have been obtained from relevant governmental authorities.

Note: On July 23, 2018, the State Council approved an administrative division adjustment plan by Yibin City, Sichuan Province, to abolish Yibin County, and designated certain areas of such county to Xuzhou District (敘州區) in Yibin City, and the remaining areas of such county to Cuiping District (翠屏區) in Yibin City and such towns originally within Yibin County were separately divided into administration of Xuzhou District (敘州區) and Cuiping District (翠屏區). As advised by our PRC Legal Advisors, such administrative division adjustment plan as approved by the State Council did not alter or amend our power supply service area but only re-divided those towns within our supply service area in Yibin County into Xuzhou District (敘州區) or Cuiping District (翠屏區).

INFORMATION OF OUR FOUNDERS AND EXISTING SHAREHOLDERS

As at the Latest Practicable Date, our Company was directly owned by Hydropower Group, China Power, Three Gorges Capital, Gao County Stated-owned Assets Co., Yibin Stated-owned Assets Co., Xingwen County Development Investment, Sichuan Development Co. and Junlian County Stated-owned Assets Co. as to 48.96%, 12.17%, 12.17%, 11.47%, 8.11%, 3.13%, 3.10% and 0.89%, respectively. Further details regarding our Founders and our existing Shareholders are set out below:

Hydropower Group

Hydropower Group is primarily engaged in sale of electricity and investment, construction, operation and maintenance of power grid mainly in the Mianyang City (綿陽市), Liangshan Yi Autonomous Prefecture (涼山彝族自治州) and Dazhou City (達州市) of Sichuan Province.

Hydropower Group is a company incorporated in the PRC with limited liability on December 17, 2004. As of the Latest Practicable Date, Hydropower Group was wholly-owned by Energy Investment Group.

As of the Latest Practicable Date, Hydropower Group directly held 48.96% of the total Shares of our Company.

China Power

China Power and its subsidiaries are primarily engaged in generation and sale of electricity in China, including investment, development, operation and management of coal-fired power, hydropower, wind power and photovoltaic power plants. Its businesses are located in the major power grid regions of China.

China Power is a company incorporated in Hong Kong with limited liability on March 24, 2004 and listed on the Stock Exchange on October 15, 2004 (stock code: 2380). China Power is a core subsidiary of State Power Investment Corporation* (國家電力投資集團公司), for conventional energy business. State Power Investment Corporation* (國家電力投資集團公司), is the only one integrated energy group which simultaneously owns coal-fired power, hydropower, nuclear power and renewable energy resources in the PRC. As of the Latest Practicable Date, China Power was held by China Power Development Limited, China Power Holding Limited and public shareholders as to 27.14%, 28.90% and 43.96%, respectively, while State Power Investment Corporation* (國家電力投資集團公司) indirectly held 56.04% of the equity interests of China Power.

As of the Latest Practicable Date, China Power directly held 12.17% of the total Shares of our Company.

Three Gorges Capital

Three Gorges Capital is primarily engaged in investment in financial equity investment, new energy businesses, fund, shares and others.

Three Gorges Capital is a wholly State-owned enterprise established in the PRC with limited liability on March 20, 2015. As the Latest Practicable Date, Three Gorges Capital was beneficially owned by China Three Gorges Corporation* (中國長江三峽集團公司).

As of the Latest Practicable Date, Three Gorges Capital directly held 12.17% of the total Shares of our Company.

Gao County State-owned Assets Co.

Gao County State-owned Assets Co. is primarily engaged in the operation and management on State-owned property rights and State-owned assets within the authorized scope by the government.

Gao County State-owned Assets Co. is a State-owned enterprise incorporated in the PRC with limited liability on May 24, 2007. As of the Latest Practicable Date, Gao County State-owned Assets Co. was owned by the People's Government of Gao County, China Agriculture Construction Fund* (中國農發重點建設基金) and National Development Fund* (國開發展基金).

As of the Latest Practicable Date, Gao County State-owned Assets Co. directly held 11.47% of the total Shares of our Company.

Yibin State-owned Assets Co.

Yibin State-owned Assets Co. is primarily engaged in capital and assets operations within the authorized scope of the People's Government of Yibin City.

Yibin State-owned Assets Co. is a wholly State-owned enterprise established in the PRC with limited liability on August 4, 1999. As of the Latest Practicable Date, Yibin State-owned Assets Co. was funded by the State-owned Assets Supervision and Administration Commission of the People's Government of Yibin City* (宜賓市政府國有資產監督管理委員會).

As of the Latest Practicable Date, Yibin State-owned Assets Co. directly held 8.11% of the total Shares of our Company.

Xingwen County Development Investment

Xingwen County Development Investment is primarily engaged in the investment, financing operation of urban infrastructure construction projects and public products and land development services.

Xingwen County Development Investment is a wholly State-owned enterprise established in the PRC with limited liability on December 19, 2012. As of the Latest Practicable Date, Xingwen County Development Investment was wholly-owned by Sichuan Province Xingwen County Finance Bureau* (四川省興文縣財政局).

As of the Latest Practicable Date, Xingwen County Development Investment directly held 3.13% of the total Shares of our Company.

Sichuan Development Co.

Sichuan Development Co. is primarily engaged in investment, financing, and assets operation and management.

Sichuan Development Co. is a wholly State-owned enterprise established in the PRC with limited liability on December 24, 2008. As of the Latest Practicable Date, Sichuan Development Co. was funded by the People's Government of Sichuan Province.

As at the Latest Practicable Date, Hydropower Group was wholly owned by Energy Investment Group and Energy Investment Group was in turn held by Sichuan Development Co. as to 67.8%, accordingly, Sichuan Development Co. held a total of 52.06% of the total Shares of our Company, directly and indirectly by itself and through Hydropower Group and Energy Investment Group.

Junlian County State-owned Assets Co.

Junlian County State-owned Assets Co. is primarily engaged in investment on state-owned property rights and state-owned assets within the authorized scope of the People's Government of Junlian City.

Junlian County State-owned Assets Co. is a wholly State-owned enterprise incorporated in the PRC with limited liability on July 8, 2003. Junlian County State-owned Assets Co. is funded by the Finance Bureau of Junlian County* (�連縣財政局).

As of the Latest Practicable Date, Junlian County State-owned Assets Co. directly held 0.89% of the total Shares of our Company.

Sichuan Fund

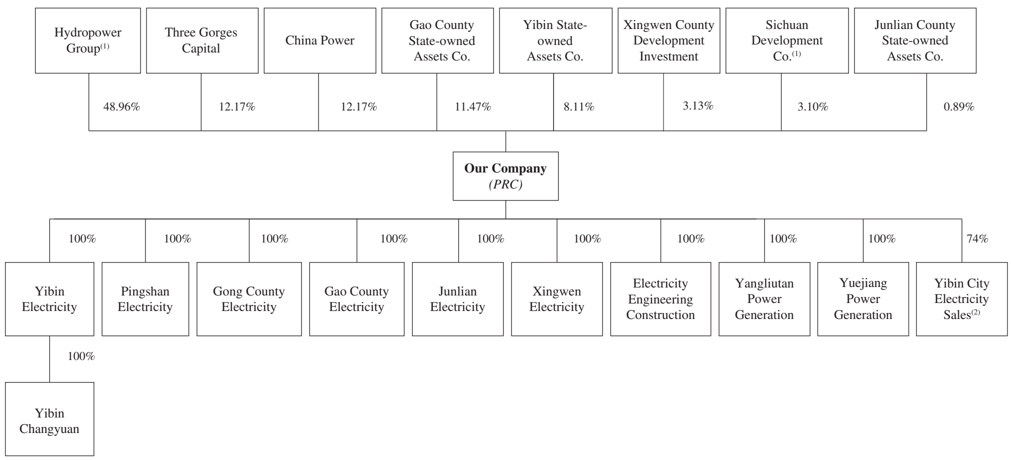
Sichuan Fund is a company incorporated in the PRC with limited liability on June 24, 2011. It is mainly engaged in equity investment and relevant consultation services. Sichuan Fund is one of our Founders and ceased to be our Shareholder on October 21, 2016 by transferring all its 24.34% of the total Shares of our Company to China Power and Three Gorges Capital.

Xingwen County Urban Construction Co.

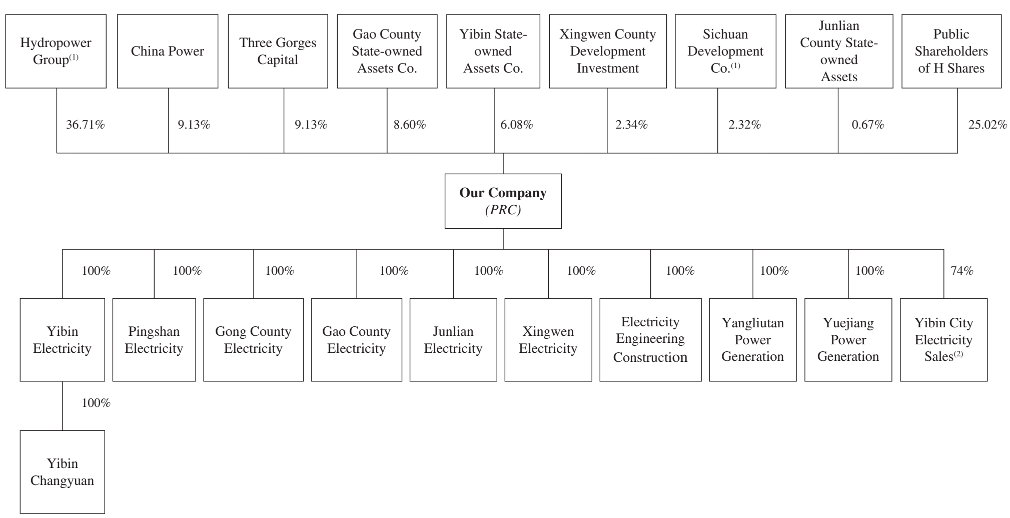
Xingwen County Urban Construction Co. is a company incorporated in the PRC with limited liability on May 9, 2005. It is primarily engaged in the investment and financing on urban infrastructure construction projects and land development services. Xingwen County Urban Construction Co. is one of our Founders and ceased to be our Shareholder on July 19, 2016 by assigning all its 3.13% of the total Shares of our Company to Xingwen County Development Investment.

CORPORATE STRUCTURE

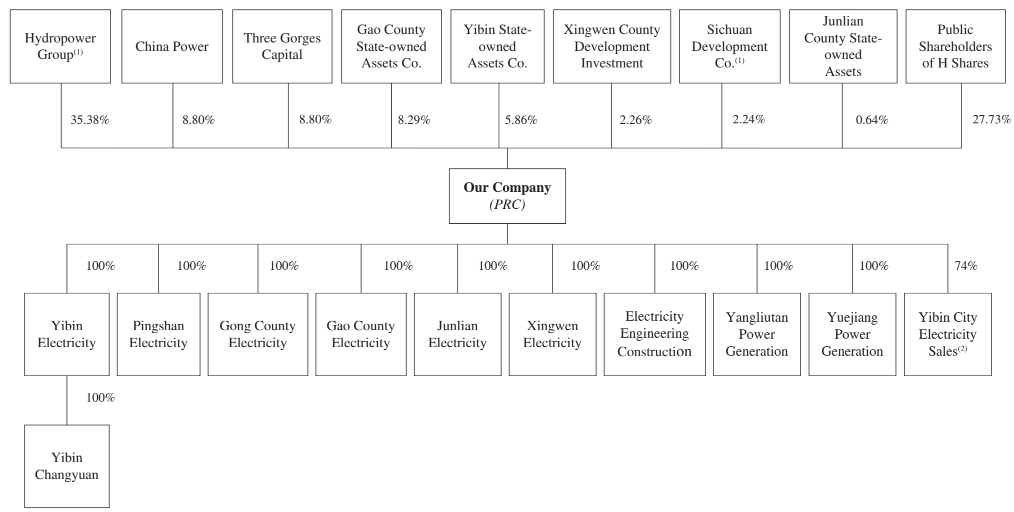
The chart below sets out our ownership and corporate structure immediately prior to the Global Offering:



The chart below sets out our ownership and corporate structure immediately after the Global Offering, assuming the Over-allotment Option is not exercised at all:



The chart below sets out ownership and corporate structure immediately after the Global Offering, assuming the Over-allotment Option is exercised in full:



Notes:

(1) Hydropower Group is wholly owned by Energy Investment Group and Energy Investment Group is held by Sichuan Development Co. as to 67.8%. Please also see the section headed "Relationship with Our Controlling Shareholders — Controlling Shareholders" in this prospectus.

(2) The remaining 26% of the equity interests in Yibin City Electricity Sales was held by Yibin State-owned Assets Co..

(3) As of the Latest Practicable Date, our Group also held the following associated companies, namely Emeishan Jinkun Micro-credit Co., Ltd*. (峨眉山市金坤小額貸款有限公司) (20.0% equity interests), Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)* (25.0% equity interests), Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)* (49.0% equity interests) and Xuyong County Jiangmen New District Electricity Development Co., Ltd*. (敘永縣江門新區電力開發有限責任公司) (49.0% equity interests) and Sichuan Yibin Electricity Co., Ltd.* (四川宜賓電力有限公司) (30.0% equity interests). Please refer to Note 16 to the Accountants' Report set out in Appendix I to this prospectus.

As confirmed by our PRC Legal Advisors, Shares issued by our Company prior to the Listing and held by our Founders and existing Shareholders are subject to a lock-up period of one year commencing from the Listing Date according to the Company Law.

OVERVIEW

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. We have a stable user base and a comprehensive network of power supply in Yibin City, which allows us to optimize the balance usage of power resources within our power supply network through efficient allocation of electricity. Our business currently consists of (i) power business, which includes power generation and power supply; and (ii) EECS business, which consists of electrical engineering construction service and sales of electric equipment and materials.

We are the only authorized regional power supplier in the designated statutory area that covers parts of the Seven Counties and Districts and certain of the surrounding areas, which we hereinafter referred to as "our power supply service area." We sell electricity to users through our power grid within our power supply service area. We derive higher cost efficiency by taking advantage of hydropower at relatively low cost. In terms of hydropower generation, as of June 30, 2018, we owned and operated 35 hydropower plants, which were installed with 77 electricity generating units having a total installed capacity of 138,680 kW. In respect of electricity distribution, as of June 30, 2018, we had one unit of 220 kV transformer substation with a transformer capacity of 180,000 kVA, 19 units of 110 kV transformer substations with a total transformer capacity of 922,000 kVA and 59 units of 35 kV transformer substations with a total transformer capacity of 500,850 kVA. We also had approximately 530 kilometers of 110 kV transmission and distribution lines, 1,000 kilometers of 35 kV transmission and distribution lines and 9,108 kilometers of 10 kV transmission and distribution lines as of June 30, 2018.

We operate our power business through eight of our subsidiaries, namely, Yibin Electricity, Xingwen Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity, Yuejiang Power Generation, Yangliutan Power Generation and Junlian Electricity. The following chart sets forth our main production facilities, including our hydropower plants, transformer substations and transmission and distribution lines, in the areas where we operate our business as of June 30, 2018.

Subsidiaries	Location	Hydropower Plants		Transformer Substations						Transmission and Distribution Lines		
				220 kV		110 kV		35 kV		110 kV	35 kV	10 kV
		Number	Installed Capacity (kW)	Number	Capacity (kVA)	Number	Capacity (kVA)	Number	Capacity (kVA)	Length (km)	Length (km)	Length (km)
Yibin Electricity	Yibin County	8[1]	2,075[1]	–	–	4	204,500	9	65,050	194	169	2,086
Xingwen Electricity	Xingwen County	9	3,445	–	–	3	151,500	9	104,700	68	248	347
Pingshan Electricity	Pingshan County	6	13,670	–	–	4	111,000	7	36,600	96	131	2,760
Gong County Electricity	Gong County	3	6,920	1	180,000	2	120,000	10	72,500	42	126	1,182
Gao County Electricity	Gao County	7	46,570	–	–	3	140,000	10	103,200	80	164	1,303
Yuejiang Power Generation	Gao County	1	12,000	–	–	–	–	–	–	–	–	–
Yangliutan Power Generation	Shuifu County	1	54,000	–	–	1	75,000	–	–	15	–	–
Junlian Electricity	Junlian County	–	–	–	–	2	120,000	14	118,800	35	162	1,430
Total		35	138,680	1	180,000	19	922,000	59	500,850	530	1,000	9,108

Note:

(1) Yibin Electricity had 10 hydropower plants with an installed capacity of 4,375 kW as of June 30, 2017. However, according to the notices issued by the relevant PRC government authorities to promote the activities of the nature reserve development and construction, subject to the approval of the Board, we are obligated to completely dismantle the power generation facilities and equipment of two of our hydropower plants located in the designated nature reserves as stipulated in the relevant notices, which were owned and operated by Yibin Electricity, by September 30, 2018. These hydropower plants consisted of a total of five power generating units with an aggregate installed capacity of 2,300 kW. Accordingly, we have suspended the operations of these two hydropower plants as of July 30, 2017. We subsequently conducted assets appraisal relating to such hydropower plants, which was completed in December 2017. On September 26, 2018, our Board passed a resolution to authorize Yibin Electricity to negotiate with the local government of Yibin City regarding compensation for the dismantling of such hydropower plants and proceed to dismantle such hydropower plants in accordance with the requirements of the local government. Subsequently, Yibin Electricity entered into separate one-off compensation agreements with the local government in Yibin County on September 27, 2018, according to which, we are entitled to a compensation of RMB10.3 million and RMB2.6 million for each of the hydropower plants, respectively. This compensation will be paid by the government of Yibin County to Yibin Electricity after the transfer of the ownership of the relevant assets. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, these two hydropower plants contributed RMB1.6 million, RMB1.6 million, RMB0.5 million and nil, respectively, to our gross profit for these periods.

Our comprehensive network of power supply in Yibin City enables us to effectively deploy any uneven usage of electricity by allocating surplus electricity from certain counties within our power supply service area, if any, to counties with electricity deficit, which allows us to optimize the balanced usage of power resources within our power supply network.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our total power supply reached approximately 2,753,924 MWh, 2,757,641 MWh, 2,984,236 MWh and 1,607,093 MWh, respectively. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our gross self-generated power supply was approximately 624,394 MWh, 651,694 MWh, 598,228 MWh and 217,970 MWh, respectively, representing 22.7%, 23.6%, 20.0% and 13.6%, respectively, of our total power supply. Gross self-generated electricity depends on the installed capacity and the average utilization hours. For further details, please see "— Our Business — Our Power Business — Hydropower Generation and Electricity Sourcing" in this prospectus. In addition, according to the Euromonitor Report, as of December 31, 2017, the scope of our service covered approximately 68.6% of the geographic area of Yibin City and approximately 57.3% of its entire population. Within our power supply service area, our exclusive right of power supply is implied by Article 25 of the Electric Power Law, which states that there shall only be one power supply enterprise in each electricity service area. Therefore, our power supply business does not face competition within the specific area in which we currently supply power.

Our sources of power supply mainly include self-generated power and electricity purchased from third-party suppliers, including electricity purchased from State Grid Company and Southern Grid Company, as well as other third-party hydropower plants that are connected to our power grid. We purchase electricity from third-party suppliers mainly because the capacity of our self-generated power, which primarily depends on the amount of water flow through our hydropower plants that varies due to seasonal fluctuations in hydrological conditions, could only satisfy a part of the demand for electricity in our power supply service area. To facilitate the sourcing of electricity, as of June 30, 2018, we had built 11 on-grid transmission channels (including eight 110 kV power lines and three 35 kV power lines), of which six 110 kV power lines and three 35 kV power lines are connected to State Grid Company and the remaining two 110 kV power lines are connected to Southern Grid Company. We generate revenue primarily by generating electricity from our hydropower plants and purchasing electricity from third parties and selling it to the end users through our power distribution and transformation equipment. Our end users mainly include residents (for household use), general industrial and commercial users and large industrial users. Due to seasonal fluctuations of hydrological conditions and/or variations of users' demand for electricity within our power supply service area, we may have excess electricity, which we sell to State Grid Company.

In addition to our power business, during the Track Record Period, we, through our subsidiaries, also engaged in the EECS business, which mainly involves undertaking the electrical engineering construction projects for, and selling electric equipment and materials to, our customers.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our total revenue was RMB1,614.6 million, RMB1,691.7 million, RMB1,853.2 million, RMB836.3 million and RMB970.6 million, respectively. Our profit for the year/period was RMB104.9 million, RMB117.8 million, RMB124.9 million, RMB65.4 million and RMB95.3 million, respectively.

COMPETITIVE STRENGTHS

We believe we have the following competitive advantages, which will continue to contribute to our success in the business sectors we operate in.

We are a comprehensive power solution provider, which provides integrated power services covering generation, distribution and sales of electricity

According to the PRC Renewable Energy Law, China encourages and supports the on-grid power generation of renewable energy, including hydropower. As of June 30, 2018, we owned and operated 35 hydropower plants, which were installed with 77 electricity generating units having a total installed capacity of 138,680 kW. In respect of electricity distribution, as of June 30, 2018, we had one unit of 220 kV transformer substation with a total transformer capacity of 180,000 kVA, 19 units of 110 kV transformer substations with a total transformer capacity of 922,000 kVA and 59 units of 35 kV transformer substations with a total transformer capacity of 500,850 kVA. We also had approximately 530 kilometers of 110 kV transmission and distribution lines, 1,000 kilometers of 35 kV transmission and distribution lines and 9,108 kilometers of 10 kV transmission and distribution lines as of June 30, 2018. We have adopted an operating model that integrates hydropower generation and electricity distribution and sales. In addition, we also engage in power project construction and sales of electric equipment and materials. Our operating model provides us with relatively stable electricity resources. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our self-generated power supply was approximately 624,394 MWh, 651,694 MWh, 598,228 MWh and 217,970 MWh, respectively, representing 22.7%, 23.6%, 20.0% and 13.6%, respectively, of our total power supply. For the same periods, our purchase cost of electricity amounted to RMB693.8 million, RMB674.6 million, RMB755.5 million and RMB458.0 million, respectively, representing 54.1%, 49.5%, 49.4% and 58.7%, respectively, of our total cost of sales. Meanwhile, in addition to improving the stability and reliability of our power supply, our operating model can also facilitate the reduction of our power supply cost during the Track Record Period. During the Track Record Period, the average cost of our self-generated power was approximately RMB0.1391 per kWh, while the average price of electricity purchased from third-party suppliers (excluding VAT) was approximately RMB0.3223 per kWh.

We are not only a power producer, but also a power supply service provider. We constructed and own a regional power supply network covering the Seven Counties and Districts and certain surrounding areas, which enable us to efficiently allocate the electricity resources within our power supply service area in real time by utilizing an integrated model of production, supply and sales. We believe such allocation can (i) facilitate the balance of local on-grid hydropower resources within our power supply network (including electricity purchased from third-party suppliers) and enable efficient resource sharing among our subsidiaries, and thereby, reduce the purchase cost of electricity from external power grid companies that have relatively higher prices; (ii) allow us to adjust the proportion of purchased electricity based on the pricing difference between State Grid Company and Southern Grid Company, which enables us to effectively control our purchase cost of electricity; and (iii) maximize the economic benefits of our power business. We believe that the integrated operation of power generation and electricity distribution and sales can ensure our competitiveness in the regional power supply market, enhance the quality of electricity services, reduce our operating cost, facilitate the formation of an effective revenue model, and help us mitigate our exposure to market risks, all of which will ensure the stability and improvement of our operating results and service delivery.

We are the only regional power supplier in our power supply service area in Yibin City

Pursuant to Article 25 of the Electric Power Law, we possess concessionary right granted by the PRC government as the only regional power supplier in the power supply service area designated in accordance with relevant laws in the administrative division of Yibin City. We have obtained the Power Supply Business License (供電營業許可證) issued by the Sichuan Provincial Economic and Information Commission (四川省經濟和信息代委員會) and the Electric Power Business Licenses (Power Supply Category and Power Generation Category) (電力業務許可證(供電力類和發電類)) issued by the Sichuan Energy Regulatory Office of NEA (國家能源局四川能源監管辦公室). Our power supply service area covers Seven Counties and Districts and certain of the surrounding areas. As of December 31, 2017, our power supply service area covered approximately 9,254 square kilometers, accounting for 68.6% of the total area in Yibin City.

According to the Euromonitor Report, the GDP of Yibin City in 2017 amounted to RMB184.7 billion and ranked fourth in Sichuan Province. Its GDP experienced stable growth since 2011, having recorded a CAGR of 9.2%. In addition, Yibin City has emphasized the continuous development of industrial clusters. According to the Euromonitor Report, there are currently several large industrial clusters in Yibin City, such as Lingang Economic Development Zone (臨港經濟開發區), Nanxi Industrial Park (南溪工業園) and Wuliangye White Wine Development Zone (五糧液白酒開發區), all of which have been selected by the provincial government of Sichuan to be included in the key development plan of Sichuan Province. By 2020, Yibin City aims to become a logistic, economic and transportation center in Sichuan Province, and will focus on the development of energy, heavy machinery, new chemical and green food industries, among others. Meanwhile, with the continuous increase in urbanization rate in the Seven Counties and Districts, the demand for power consumption in our power supply service area will remain robust, according to Euromonitor Report. As of December 31, 2017, our power business served a total of approximately 3.2 million residents in Yibin City, accounting for 57.3% of the total population of Yibin City. We believe that our operating advantages and track record in Yibin City will enable us to achieve stable business growth.

We possess regional advantages, abundant natural resources, including hydropower reserves, and conducive conditions for business development

Our power supply service area is located in Yibin City, Sichuan Province. Located in the southern edge of the Sichuan Basin, Yibin City is a convenient junction of Sichuan, Yunnan and Guizhou Provinces and is an important and strategic station on the South Silk Road (南絲綢之路) that connects the flow of people, capital and information, as well as transportation and logistics. Yibin City is also located at the starting point of the Yangtze River Golden Waterway (長江黃金水道) and is a converging point of the Yangtze River Economic Belt (長江經濟帶), the South Silk Road Economic Belt (南絲綢之路經濟帶) and the Sino-Indian Myanmar-Meng Economic Corridor (中印緬孟經濟走廊). In addition, Yibin City is a part of the national "five vertical and seven horizontal" traffic planning (五縱七橫交通規劃) and is a key intersection of "Beijing-Kunming and Lanzhou-Guangzhou" high-speed railway network. Based on its strategic location, Yibin City acts as a gateway of the regional access to the Yangtze River Golden Waterway and a major link between the Chengdu-Chongqing Economic Zone (成渝經濟區) and the Nan-Gui-Kun Economic Zone (南貴昆經濟區), on the one hand, and Southeast Asia, on the other hand. It is one of the six important ports of the Yangtze River as planned by the State and has been a supporting city for the hydropower development of the Jinsha River and the construction of the Yangtze River Upstream Economic Belt (長江上游沿江經濟帶) by Sichuan Province. Yibin City has also been designated by the State as a major developmental region in the Chengdu-Chongqing Economic Zone. Our favorable geographical advantages include: (i) as the second economic growth focal point designated by Sichuan Province, we believe Yibin City will be the important gateway for the southward opening and the development of a regional economic center connecting Sichuan, Yunnan and Guizhou Provinces and Chongqing. We believe the continued economic development trend of the region will have a positive impact on our power supply business; (ii) according to the Euromonitor Report, Yibin City has an abundance of mineral resources, including approximately 5.3 billion tons of coal reserves, 60.0 billion cubic meters of natural gas reserves, 1.5 billion tons of pyrite reserves, and over 10.0 billion tons of each of rock salt, limestone and quartz reserves. It has been established as an important energy and raw material production base for the comprehensive development of hydropower, thermal power and nuclear power by the State; and (iii) our power grid has been connected to State Grid Company and Southern Grid Company, which enables us to purchase electricity from these two power grid companies when we experience electricity deficit within our power supply network. When we have a surplus of electricity, we may sell such surplus electricity to State Grid Company. In addition to ensuring stable power supply to our power grid, these two major power grid companies also provide us with options of power supply sources based on their pricing differences, thereby reducing our purchase cost of electricity and improve our operating efficiency through economical adjustment.

Furthermore, according to the Euromonitor Report, our power supply service area enjoys an abundance of hydropower resources due to sufficient water inflow from various rivers, as well as a large vertical drop. The theoretical hydropower reserve of Sichuan Province and Yibin City reached 148 million kW and 19.4 million kW, respectively, as of June 30, 2018. According to the Euromonitor Report, by the end of 2020, the total installed capacity of hydropower is expected to reach approximately 83.0 million kW in Sichuan Province with the remaining approximately 65 million kW to be further developed. Currently, our total on-grid installed capacity of hydropower is 491,880 kW, including self-owned installed capacity of approximately 138,680 kW and other on-grid installed capacity of approximately 353,200 kW. In the future, based on the need of market development, we may connect to nearby hydropower plants with larger installed capacity and power generating potential, which will provide us with larger amount of low-cost power supply and effectively reduce our electricity purchase cost, which we believe will improve our market competitiveness.

We enjoy strong support from our major Shareholders, which lays a solid foundation for the stable and healthy development of our business

Energy Investment Group, one of our Controlling Shareholders, is an investment company wholly-owned by the government of Sichuan Province, and an important body for facilitating the energy infrastructure construction and accelerating the construction of major energy projects in Sichuan Province. We believe that the good relationship between Energy Investment Group and the people's government of Sichuan Province will allow us to enjoy government policy support and abundant resources, provide favorable conditions for the development and approval of our new projects, and facilitate us to consolidate our advantages in the power stations and power grid within our power supply service area and expand our market share in other areas of the province. In addition, as the major energy investment platform under the people's government of Sichuan Province, Energy Investment Group has experienced and is continuing to experience stable development in its new energy businesses, such as wind power, solar power and biomass energy, which will provide us with numerous technological support and business opportunities, which we believe will facilitate the growth and transformation of our business. We believe that the abundant resources and relationship of our Controlling Shareholders will effectively ensure the consolidation of our advantages and development of our business.

Furthermore, China Power, one of our other substantial shareholders, is one of China's leading power generators and an integrated energy group that simultaneously owns hydropower, thermal power and renewable resources in China. It has been listed on the Stock Exchange since 2004, and therefore, we believe we may benefit from its valuable experience relating to international capital markets. Another one of our substantial shareholders, Three Gorges Capital, is a subsidiary of Three Gorges Group, which is a clean energy group that focuses on large scale hydropower development and operation. It is one of the world's leading hydropower enterprises based on installed capacity and has rich experience in the development and operation of hydropower plants, which we believe will be able to help us in the sourcing, development and operation of our hydropower plants.

We possess a management team with extensive business and management experience

Our senior management team comprises of senior professionals in power and energy industry who possess extensive experience in various fields, such as energy supply, industrial facility management, investment and finance and human resource management. Certain Directors and most of our senior management members have over 20 years of experience in the

PRC power industry. For example, Mr. Zeng Yong, our executive Director and the chairman of the Board, has over 35 years of experience in the power industry in China, and served various power companies before joining our Group. Mr. Wang Heng, our executive Director, the deputy chairman of the Board and the general manager, also has extensive experience in the PRC power industry. As such, our senior management members are able to make objective analysis on the market trend, accurately capture the local market opportunities, efficiently formulate and implement commercial strategies, prudently control and manage the operational risks and fully implement the management and production plans. For further details of working experience of our senior management members, please see the section headed "Directors, Supervisors and Senior Management" in this prospectus. We believe that our professional management team is critical to the improvement of our business operation, and will strive to enhance the value of our Company and its shareholders.

OUR STRATEGIES

Our strategy is to further expand our share in the power supply market in Southwestern China, develop our power service value chain and strive to become an advanced and comprehensive power operator in China. To achieve such strategic objective, we plan to adopt the following development strategies.

Seeking acquisition opportunities to continue to increase our share in the power generation and supply market

In order to continue to maintain a reasonable power source structure and improve our ability in ensuring stable power supply, we plan to increase our efforts in introducing power sources with favorable prices. As such, we believe the acquisition of existing power projects will serve as an important business expansion strategy of our Company. We will actively seek opportunities for acquisition of, or investment in, power companies outside our power supply service area to expand into new markets in Sichuan Province. According to the estimates provided by Euromonitor, as of December 31, 2017, there were approximately 250 hydropower projects in Yibin City and its surrounding area with total amount of hydropower generated of approximately 23.1 billion kWh in 2017. We believe that our experience in electricity distribution and in the development, operation and management of hydropower projects will allow us to acquire existing hydropower projects that can provide immediate contributions to our revenue and cash flow, maintain a reasonable power source structure and reduce our purchase cost of electricity. Generally, the cost of self-generated electricity is lower than the cost of sourcing electricity from third parties. We will seek acquisition targets that have (i) solid operational and financial track records; (ii) favorable conditions for nearby connection to our power grid; (iii) long history of reliable hydrological conditions; and (iv) advanced and reliable electricity generation and transmission facilities and equipment. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement for acquisition, and had yet to identify any suitable acquisition or investment targets. In addition, Hydropower Group, one of our Controlling Shareholders, granted us a right of first refusal and a right to acquire, which allow us to acquire certain power-related assets held by Hydropower Group. For further details of the right of first refusal and the right to acquire granted by Hydropower Group, please see the section headed "Relationship with our Controlling Shareholders" in this prospectus.

Improving our power grid structure and enhancing the level of automation and informatization

In order to adapt to the needs of modern electricity development and consolidate the foundation for the long-term development of our power business, we propose to upgrade our existing power grid and increase our efforts in power grid modification and construction, as well as the enhancement of system automation and informatization. Detailed measures include: (i) enhancing the power grid operating voltage level, constructing a higher voltage power supply network, further improving our ability to ensure the power supply reliability of our power grid, fully achieving efficient resource allocation and creating synergy; (ii) enhancing the automation level of our power grid and ensuring the safe, stable and efficient operation of our power grid; and (iii) facilitating the upgrade of informatization and supporting system to meet the developmental needs for a strong and intelligent power grid with informatization management. For example, we are in the process of constructing a centralized power dispatch control center in Yibin City, which is expected to be completed at the end of 2019, and which we believe will improve our electricity resource allocation and our operating efficiency. We are in the process of informatizing the "Thirteenth Five Year Plan." With its implementation, we believe we will improve our power production management, integrated management of our operations and the distributions of electricity, and effective management of human resources, in order to further improve our management efficiency.

In addition, by leveraging on our first mover advantage in the power industry in Yibin City, we will increase our efforts in proprietary research and development to facilitate the management informatization and service automation. We plan to focus on developing a new "Internet + Energy" business model, through which we intend to establish an advanced electricity service platform, utilize our existing customer electricity usage data to conduct "big data" analysis and application, and launch interactive energy value-added service products, such as smart electricity meter, online payment and energy consumption visualization in order to enhance our service efficiency and quality, improve user experience and stickiness and strengthen the innovative competitiveness of our products and services. According to our PRC Legal Advisors, in order to implement our new business model, the website filing registration with the PRC Ministry of Industry and Information Technology or its local counterparts for the electricity online service platform and the compulsory certification for certain types of smart electricity meters are generally required. Other filings or licenses may also be required for specific projects in accordance with the relevant PRC laws and regulations when our new business model is carried out. We will complete the relevant filings, obtain the requisite licenses in accordance with the relevant PRC laws and regulations or cooperate with any third party who possesses such qualifications so that our new business model can be lawfully implemented. We believe this initiative will facilitate our development, transformation and upgrade from a traditional power supplier to a modern power service provider. To carry out this strategy, we entered into a strategic framework agreement for energy Internet with Shenzhen CLOU Electronics Co., Ltd. ("CLOU Electronics"), an Independent Third Party, on November 30, 2016. CLOU Electronics is a national high-tech enterprise that provides equipment and solutions for the smart grid and new energy applications and energy saving and emission reduction. According to this agreement, we will cooperate with CLOU Electronics in the construction of "Internet + Energy" model and smart grid to carry out comprehensive strategic cooperation.

Further strengthening cost control to continuously improve our profitability

With the continuous expansion of our power business in the future, we will further improve the standardized cost management system. Our management will establish a special cost management team to enhance our cost awareness and implement detailed measures of cost management and control from the financing stage to the operation stage with standardized assessment. With respect to financing, we will continue to optimize our capital structure, reduce financing cost, closely monitor our gearing ratio, maintain an optimal capital structure and continue to adopt various financing plans to expand our capital sources, such as strategically entering into the capital market, conducting finance leasing and consolidating our relationship with major lending institutions in China. With respect to our operations, we will maintain reasonable purchase cost of electricity by (i) introducing external electricity sources with favorable prices; (ii) further improving the power allocation capability of our inter-county power supply network to maximize the economic benefit of our resources; and (iii) reducing the loss of power during distribution through technological improvement and equipment upgrade. We plan to use a portion of the proceeds from the Global Offering and bank borrowings to improve the performance of our power transformation and distribution equipment. We believe that effective cost management and control will further enhance our operating efficiency and profitability, and thereby increasing the return to our shareholders.

Actively participating in the PRC power industry reform and extending the service industry chain

In accordance with certain Opinions from the CPC Central Committee and the State Council on Further Implementation of System Reform in Electricity Industry (《中共中央、國務院關於進一步深化電力體制改革的若干意見》) and other relevant policies, we may participate in the investment, construction and operation of additional electricity distribution network outside our power supply service area, and sell electricity to customers outside such area through our recently formed subsidiary, Yibin City Electricity Sales. In addition, pursuant to these Opinions, we may experience the following potential impact, among others: (i) the setting of on-grid tariffs and end-user tariffs will be subject to open market competition through negotiation and bidding, which is likely to create pricing flexibility for power suppliers; (ii) we may enjoy more stable revenue in connection with our power supply business as the relevant opinions and policies stipulate power grid companies to set prices for electricity transmission and distribution for each voltage class based on "costs and reasonable income" principle (成本加合理收益) to ensure the ability to generate stable income; and (iii) our ability to supply power may be further strengthened by giving us the priority for the right to purchase electricity from third-party suppliers. We believe the implementation of these favorable government opinions and policies not only creates greater market expansion and growth opportunities, but also generating business opportunities for new types of energy services and additional revenue sources. By leveraging on the commercial advantage from integration of power generation and electricity distribution and sales, we will strive to capitalize on new business opportunities created by the energy reform in China, and make achievable plans to engage in new businesses in the future in order to improve our competitiveness. For further details on this opinion, please see the section headed "Regulatory Environment — Regulations on the Power Industry — Pricing Rule" in this prospectus.

In addition, according to the Euromonitor Report, the market size of energy saving service market in the PRC in 2011 amounted to approximately RMB80 billion, and will increase significantly to RMB400 billion in the near future. There is a large development potential in the technological capability and service quality of energy saving ancillary business. Therefore, we plan to fully utilize our professional advantage in the energy management to provide one-stop services to customers, such as energy saving inspection, energy saving consultation, promotion of energy saving technologies and design and construction of energy saving projects based on the customers' utilization of energy storage facilities (such as dynamic battery energy storage and electric storage cooling), which we believe will allow us to achieve mutual benefits.

Striving for diversified development and capturing opportunities to enter into new business sectors in order to create an industrial structure with complementary businesses

In order to adapt to the ever-changing power market environment, protect against the risk of market fluctuation and improve our competitiveness, we, as a modern power company, will adhere to the philosophy of development that is driven by innovation, create a diverse mix of industry chain, consolidate the traditional energy supply market and expand into new energy and electricity value-added service market. The new businesses that we plan to operate include, but are not limited to, (i) expanding our distribution network and the electricity sales business outside our current power supply service area; (ii) carrying out clean energy initiatives, such as engaging in businesses that substitute oil and coal with electricity; and (iii) developing the multi-complementary, demand-supply interactive micro-grid business. Based on our extensive experience in the power industry and in-depth understanding of the local market, we plan to capture opportunities to enter into other business sectors, carry out business expansion by way of acquisition and seek merger and acquisition opportunities involving the relevant new energy projects. Major criteria we generally consider when acquiring new energy projects include, but not limited to, (i) whether the new projects and the investments therein are in compliance with the relevant national and provincial laws and regulations and whether they are in line with the national and provincial development plans and related industrial policies; (ii) whether the new projects possess adequate technologies that are adaptable to future development; (iii) if the new projects have good growth prospects; and (iv) whether there will be reasonable expected investment return. As of the Latest Practicable Date, we have not entered into any definitive agreements in respect of acquisition of new energy projects from third parties.

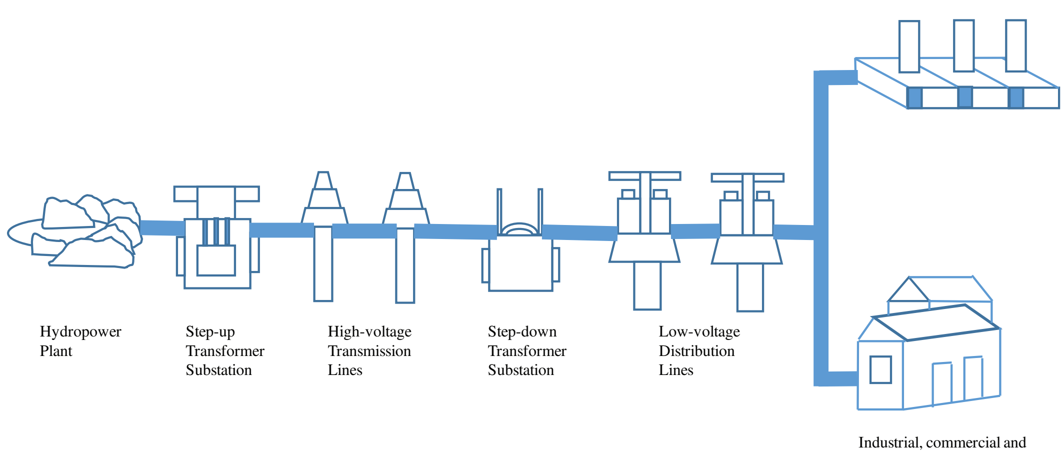
OUR BUSINESS

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. We derive a substantial majority of our revenue from our power business, and the remainder from our EECS business. The following table sets forth a breakdown of our revenue by category of business for the periods indicated.

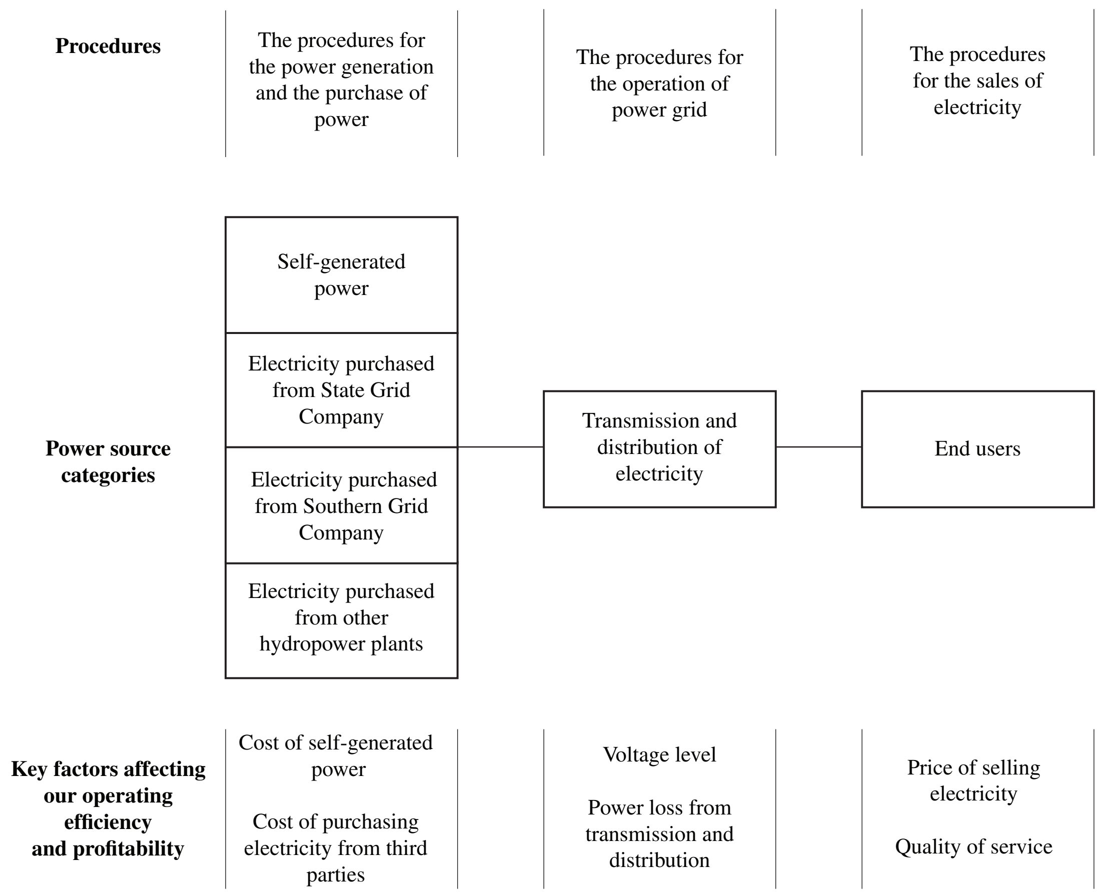
	For the year ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Power business	1,439,906	89.2	1,456,378	86.1	1,542,311	83.2	729,100	87.2	846,919	87.3
EECS business	174,696	10.8	235,297	13.9	310,932	16.8	107,220	12.8	123,637	12.7
Total	1,614,602	100.0	1,691,675	100.0	1,853,243	100.0	836,320	100.0	970,556	100.0

Our Power Business

Our power business principally involves (i) hydropower generation; (ii) electricity distribution; and (iii) sales of electricity to end users. Under our power business, electricity is generated from the hydropower plants we own and operate and purchased from third-party power suppliers. It is subsequently distributed to our industrial, commercial household and other end users through our power grid, which contains step-up and step-down transformer substations and transmission and distribution lines, for their ultimate consumption. The following diagram illustrates the flow of electricity in respect of our integrated power business operations, which covers the entire industry value chain.



The operating efficiency and profitability of our power business primarily depend on the purchasing price and selling price of electricity, the loss of power during transmission and distribution of electricity and the scale of our electricity sales. The following diagram illustrates the processes of our power business operations and the key factors affecting our operating efficiency and profitability.



For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, revenue derived from our power business was approximately RMB1,439.9 million, RMB1,456.4 million, RMB1,542.3 million, RMB729.1 million and RMB846.9 million, respectively, accounting for approximately 89.2%, 86.1%, 83.2%, 87.2% and 87.3%, respectively, of our total revenue. The gross profit generated from our power business was approximately RMB285.8 million, RMB289.0 million, RMB290.5 million, RMB122.4 million and RMB164.5 million, respectively, accounting for approximately 86.3%, 88.1%, 90.1%, 89.5% and 86.7%, respectively, of our gross profit in the same periods.

The following table sets forth a breakdown of the revenue, cost of sales and gross profit margin of our self-generated electricity and electricity sourced from third parties for the periods indicated.

	For the years ended December 31,									For the six months ended June 30,		
	2015			2016			2017			2018		
	Revenue	Cost of Sales[(1)]	GPM	Revenue	Cost of Sales[(1)]	GPM	Revenue	Cost of Sales[(1)]	GPM	Revenue	Cost of Sales[(1)]	GPM
	RMB'000	RMB'000	(%)	RMB'000	RMB'000	(%)	RMB'000	RMB'000	(%)	RMB'000	RMB'000	(%)
Self-generated electricity	326,468	167,436	48.7	344,176	181,973	47.1	309,176	167,116	45.9	114,868	64,201	44.1
Electricity sourced from third parties	1,113,438	986,703	11.4	1,112,202	985,439	11.4	1,233,135	1,084,656	12.0	732,051	618,205	15.6
Total	1,439,906	1,154,139	19.8	1,456,378	1,167,412	19.8	1,542,311	1,251,772	18.8	846,919	682,406	19.4

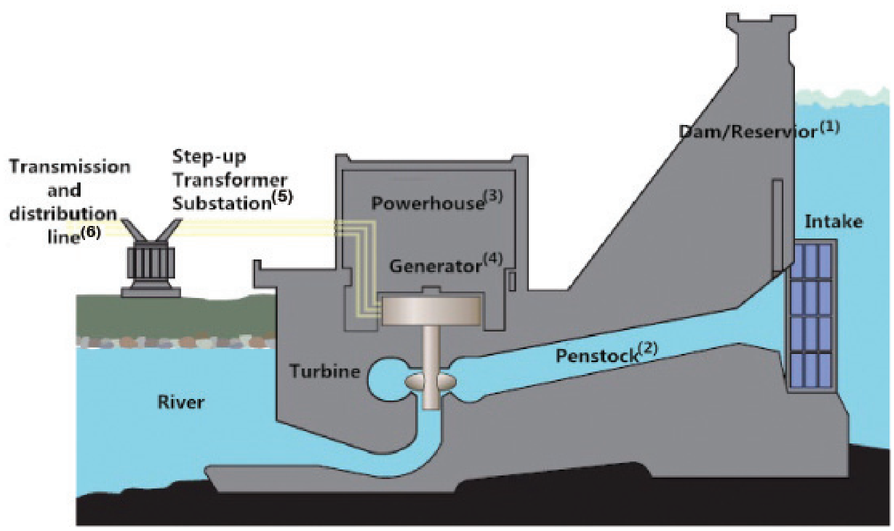
Note:

(1) Cost of sales of self-generated electricity generally consists of the staff wages, social insurance, depreciation, repair costs, property insurance premiums and other expenses. Cost of sales of electricity sourced from third parties generally consists of the cost of purchasing electricity at a specified or agreed price from third-party suppliers. We also include cost of power distribution in the cost of sales of self-generated electricity and the cost of sales of electricity sourced from third-party suppliers, and allocate it in the calculation of gross profit margin, primarily because the transmission and distribution of the electricity generated by us or the electricity purchased externally to our end customers usually involve certain costs and expenses, which mainly include line loss, costs of maintenance materials, amortization of low-value consumable goods, staff wages, social insurance, repair costs, operation maintenance expenses and property insurance premiums. The proportion of the cost of power distribution in the costs of sales of self-generated electricity and electricity sourced from third parties is determined based on MWh of self-generated electricity as a percentage of total MWh of electricity that consists of both self-generated and externally sourced electricity, and MWh of electricity sourced from third-party suppliers as a percentage of total MWh of electricity that consists of both self-generated and externally sourced electricity.

Hydropower Generation and Electricity Sourcing

Hydropower Generation

Hydropower generation involves the following steps: (i) water from the reservoir is first turned into mechanical energy by leveraging on the water flow with certain momentum to drive the turbine to turn; (ii) the generator then transforms mechanical energy into electricity; and (iii) electricity is subsequently distributed to various end users through a power distribution network that usually consist of transformer substations and transmission and distribution lines. The following diagram illustrates the working mechanism of our typical hydropower plant.



Notes:

* The above diagram is not intended to be a to-scale, true, complete or accurate representation of any of our hydropower plants.

(1) An impoundment dam spanning the stream to form a reservoir from which water is conveyed down to the powerhouse through a water conveyance facility (penstocks).

(2) A pipeline which carries water from the reservoir at a higher level to the turbines in the powerhouse at a lower level.

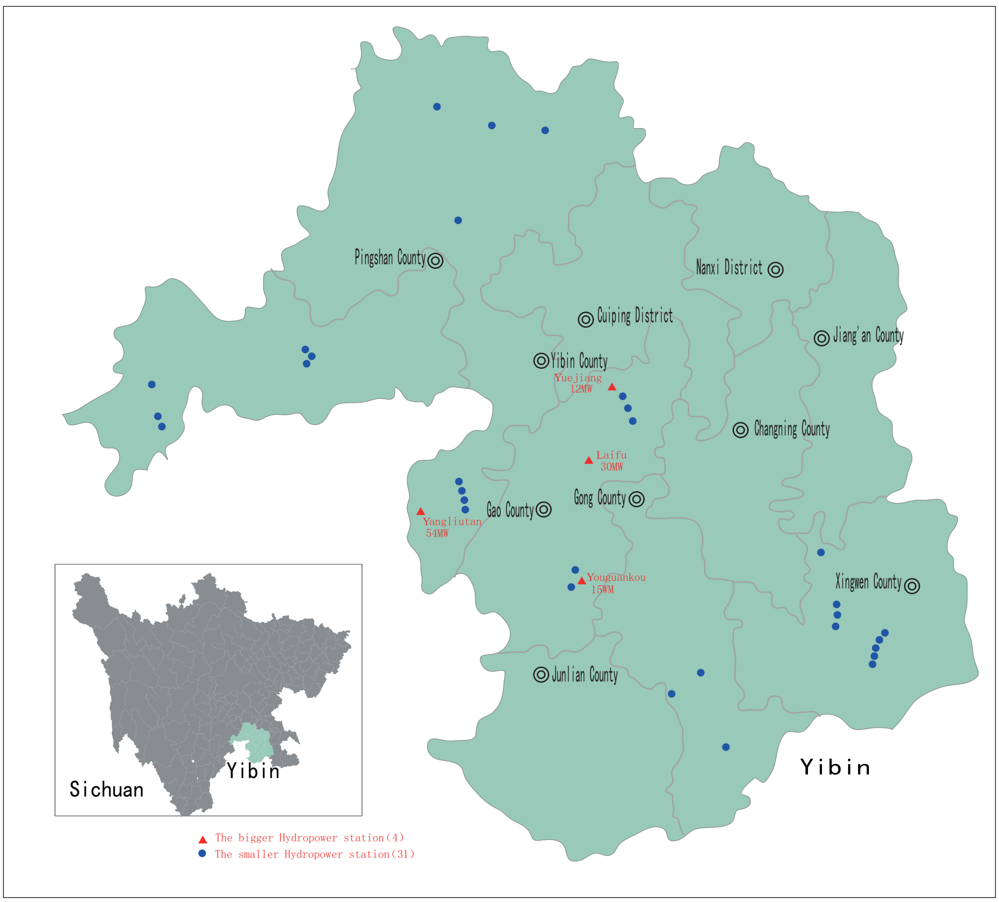
(3) Powerhouse is a structure in a hydropower plant to be equipped with turbines, hydro-electric turbine generators and ancillary equipment. It is a combination of hydraulic structures, mechanical equipment and electric equipment and is a place for operators to conduct production activities.

(4) A generator is a mechanical equipment that transforms energy into electric power. It is usually driven by turbines, steam turbines, diesel engines or other power machines, and transforms the energy generated from water flow, airflow, fuel combustion or nuclear fission into mechanical energy, which is then subsequently transformed by the generator into electric power.

(5) Step-up voltage transformer substation transforms electricity to a higher voltage for transmission.

(6) The power is transmitted from the transmission and distribution lines to the substations and then it is redistributed or distributed with lower voltage to the end user.

As of June 30, 2018, we owned and operated 35 hydropower plants, which were installed with 77 electricity generating units having a total installed capacity of 138,680 kW. Among the 35 hydropower plants we owned and operated, four have an individual installed capacity of 12,000 kW or above and each of them has a water reservoir. The following map sets forth an overview of our operating hydropower plants as of June 30, 2018, including the four hydropower plants with an individual installed capacity of 12,000 kW or above, which are identified and marked on the map.



Note:

* Only four of our hydropower plants each with an installed capacity of 12,000 kW or above is named and marked with installed capacity in the above map.

The following table sets forth details of our four large-scale hydropower plants each having an installed capacity of 12,000 kW or above as of June 30, 2018.

Subsidiary	Reservoir	Location	Type of Reservoir	Reservoir Storage	Hydropower Plants[1]	Installed Capacity
				(m^3)		(kW)
Gao County Electricity	Youguankou	Main stream of Nanguang River	Daily regulating[2]	33,100,000	Youguankou power plant*	15,000
	Laifu	Main stream of Nanguang River	Daily regulating	40,900,000	Laifu power plant*	30,000
Yuejiang Power Generation	Yuejiang	Main stream of Nanguang River	Daily regulating	35,600,000	Yuejiang power plant*	12,000
Yangliutan Power Generation	Yangliutan	Heng River	Daily regulating	21,060,000	Yangliutan power plant	54,000

Notes:

(1) Hydropower plants with asterisk "*" represent our cascade hydropower plants.

(2) A reservoir that has the storage capacity (which is generally determined to be the difference between the maximum water level and the minimum water level) and the ability to regulate water inflow based on the estimated one day's water demand.

Our power business partly depends on our self-generated electricity. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, approximately 22.7%, 23.6%, 20.0% and 13.6%, respectively, of the total electricity supplied by us was generated from our own hydropower plants. The following tables set forth the key operating data of our hydropower generation subsidiaries during the Track Record Period.

	For the year ended December 31, 2015							
Subsidiary	**Installed Capacity**		**Average Utilization Hours[1]**	**Utilization Rate[2]**	**Gross Generation[3]**		**Net Generation[4]**	
	(kW)	%	(h)	%	(MWh)	%	(MWh)	%
Yibin Electricity	4,375	3.1	3,603	41.1	15,764	2.5	15,506	2.5
Xingwen Electricity	4,030	2.8	2,198	25.1	8,856	1.4	8,856	1.4
Pingshan Electricity	15,020	10.5	4,542	51.8	68,227	10.9	67,953	11.0
Gong County Electricity	6,920	4.8	4,006	45.7	27,718	4.5	27,088	4.4
Gao County Electricity	58,570	41.0	4,683	53.5	274,276	43.9	273,434	44.5
Yangliutan Power Generation	54,000	37.8	4,251	48.5	229,553	36.8	223,112	36.2
Total	142,915	100.0	–	–	624,394	100.0	615,949	100.0

Subsidiary	For the year ended December 31, 2016							
	Installed Capacity		Average Utilization Hours(1)	Utilization Rate(2)	Gross Generation(3)		Net Generation(4)	
	(kW)	%	(h)	%	(MWh)	%	(MWh)	%
Yibin Electricity	4,375	3.1	3,763	42.9	16,460	2.5	16,192	2.6
Xingwen Electricity	3,445	2.4	3,166	36.1	10,906	1.7	10,906	1.7
Pingshan Electricity	13,670(5)	9.7	5,197	59.3	71,044	10.9	70,782	11.0
Gong County Electricity	6,920	4.9	4,156	47.4	28,756	4.4	28,375	4.4
Gao County Electricity	58,570	41.6	5,077	58.0	297,378	45.6	296,526	46.3
Yangliutan Power Generation	54,000	38.3	4,206	50.0	227,151	34.9	218,113	34.0
Total	140,980	100.0	–	–	651,694	100.0	640,894	100.0

Subsidiary	For the year ended December 31, 2017							
	Installed Capacity		Average Utilization Hours(1)	Utilization Rate(2)	Gross Generation(3)		Net Generation(4)	
	(kW)	%	(h)	%	(MWh)	%	(MWh)	%
Yibin Electricity	2,075	1.5	4,427	50.5	9,187	1.5	9,009	1.5
Xingwen Electricity	3,445	2.5	2,989	34.1	10,298	1.7	10,298	1.7
Pingshan Electricity	13,670	9.9	5,281	60.3	72,191	12.1	71,998	12.2
Gong County Electricity	6,920	5.0	3,588	41.0	24,829	4.2	24,553	4.1
Gao County Electricity	46,570	33.5	4,948	56.5	230,434	38.5	229,906	38.8
Yuejiang Power Generation	12,000	8.7	2,526	28.8	30,317	5.1	30,012	5.1
Yangliutan Power Generation	54,000	38.9	4,092	46.7	220,972	36.9	216,544	36.6
Total	138,680	100.0	–	–	598,228	100.0	592,320	100.0

Subsidiary	For the six months ended June 30, 2018							
	Installed Capacity		Average Utilization Hours(1)	Utilization Rate(2)	Gross Generation(3)		Net Generation(4)	
	(kW)	%	(h)	%	(MWh)	%	(MWh)	%
Yibin Electricity	2,075	1.5	857	19.7	1,778	0.8	1,738	0.8
Xingwen Electricity	3,445	2.5	884	20.3	3,043	1.4	3,043	1.4
Pingshan Electricity	13,670	9.9	2,218	51.1	30,324	13.9	30,237	14.0
Gong County Electricity	6,920	5.0	1,482	34.1	10,256	4.7	10,157	4.7
Gao County Electricity	46,570	33.5	1,647	37.9	76,676	35.2	76,495	35.5
Yuejiang Power Generation	12,000	8.7	1,209	27.8	14,508	6.7	14,429	6.7
Yangliutan Power Generation	54,000	38.9	1,507	34.7	81,385	37.3	79,595	36.9
Total	138,680	100.0	–	–	217,970	100.0	215,694	100.0

Notes:

(1) Average utilization hours is calculated as gross generation in a specified period divided by weighted average installed capacity in such period.

(2) Utilization rate is calculated as utilization hours divided by the total numbers of hours of the period. It is mainly determined by the amount of water flow at our hydropower plant sites during the relevant period.

(3) Gross generation refers to the total amount of electricity produced by all power plants of a subsidiary in that period including electricity consumed by the power plants in the course of generation.

(4) Net generation refers to gross power generation less electricity consumed by the power plants in the course of electricity generation and distribution.

(5) The installed capacity of Pingshan County decreased from 15,020 kW for the year ended December 31, 2015 to 13,670 kW for the year ended December 31, 2016, mainly because we shut down the operation of six hydropower plants in Pingshan County that we determined to be obsolete and deemed out of use.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the overall average utilization hours were 4,369 hours, 4,623 hours, 4,314 hours and 1,572 hours, respectively, and the overall utilization rate of our hydropower plants was 49.9%, 52.8%, 49.2% and 36.2%, respectively. The decrease in utilization rate for the six months ended June 30, 2018 was primarily because the dry season usually occurs from January to April each year.

Sourcing of Electricity from Third Parties

In addition to electricity generated from the hydropower plants that we own and operate, we also source electricity from third-party suppliers. We generally estimate in the current year the amount of electricity we will supply for the upcoming year (including self-generated power and electricity to be purchased from third-party suppliers) based on our estimation of the demand for electricity within our power supply service area and our expected hydropower generation, among other factors. The actual amount of total electricity to be supplied to our end-users vary from time to time based on the prevailing hydrological conditions in the regions where our hydropower plants are located. Under less favorable hydrological conditions, insufficient water flow may give rise to low utilization of hydropower generation, which would lead to inadequate self-generated electricity supply. Therefore, we will need to increase the purchase of electricity from third-suppliers to meet the demand of our customers. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, approximately 77.3%, 76.4%, 80.0% and 86.4%, respectively, of the electricity supplied by us was sourced from third-party suppliers. Our third-party suppliers mainly include State Grid Company and Southern Grid Company, as well as a number of hydropower plants and power companies that are connected to our power grid. The following table demonstrates the respective amount of self-generated and externally sourced electricity for the periods indicated.

	For the year ended December 31,						For the six months ended June 30,	
Source	**2015**		**2016**		**2017**		**2018**	
	Amount (MWh)	**%**	**Amount (MWh)**	**%**	**Amount (MWh)**	**%**	**Amount (MWh)**	**%**
Self-generated electricity	624,394	22.7	651,694	23.6	598,228	20.0	217,970	13.6
Externally sourced electricity(1)	2,129,530	77.3	2,105,947	76.4	2,386,008	80.0	1,389,123	86.4
Total	2,753,924	100.0	2,757,641	100.0	2,984,236	100.0	1,607,093	100.0

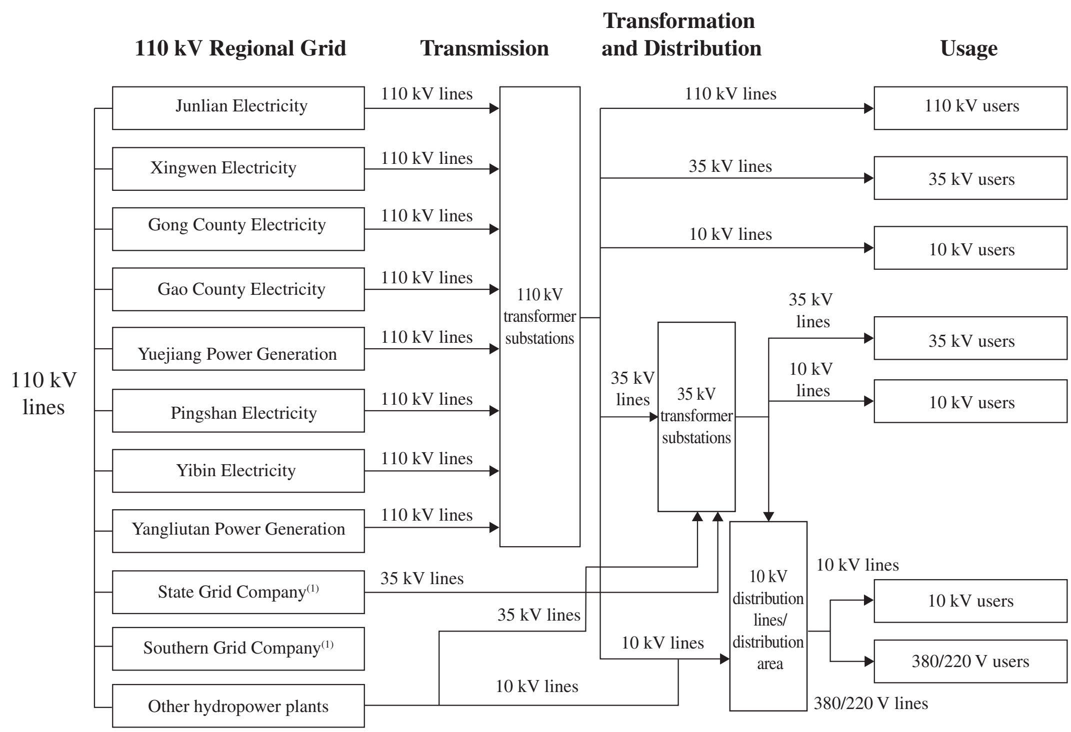
Note:

(1) Include electricity sourced through State Grid Company and Southern Grid Company, as well as other hydropower plants and power companies that are connected to our power grid.

For further details of our sourcing of electricity from third-party suppliers, please see section headed "Business — Sourcing" in this prospectus.

Electricity Distribution — Our Power Grid System

Our power grid system comprises of a power supply network (i.e., a transformation and distribution network) that distributes the electricity to end users in our power supply service area. The following chart is an illustration of our power supply network.



Note:

(1) State Grid Company, Southern Grid Company and other hydropower plants connect their power grids to our power grid system at various voltage levels within our power network as indicated in the chart above and exchange electricity with us through such transmission lines. State Grid Company, Southern Grid Company and other hydropower plants do not directly distribute electricity to our end users.

We have a regional power grid that covers our power supply service area, which enables us to maintain a balance of load capacity in our power supply network and fully utilizes our network advantage to create synergy. Currently, we, through our subsidiaries, have built 11 on-grid transmission channels (consisting of eight 110 kV power lines and three 35 kV power lines), which are connected to State Grid Company and Southern Grid Company, of which six 110 kV power lines and three 35 kV power lines are connected to State Grid Company and two 110 kV power lines are connected to Southern Grid Company, to source their electricity. In our power grid system, we primarily transmit electricity to end users through our power grid, transform and distribute electricity to users of 110 kV, 35 kV and 10 kV through our 110 kV transmission and distribution lines and 35 kV transmission and distribution lines. We may also lower the voltage to 380/220 V for certain low-voltage users.

The following table lists out our electricity transmission and distribution equipment and their operating conditions as of June 30, 2018.

Equipment	Number	Transformer Capacity	Approximate Length	Useable Period	Average Age	Remaining Useful Life
		(kVA)	(km)	(year)	(year)	(year)
220 kV transformer substation	1	180,000	–	20-50	2.1	21.0
110 kV transformer substation	19	922,000	–	20-50	8.8	22.4
35 kV transformer substation	59	550,850	–	20-50	4.5	15.1
110 kV transmission and distribution line	–	–	530	15-40	7.6	20.2
35 kV transmission and distribution line	–	–	1,000	15-40	8.0	20.9
10 kV transmission and distribution line	–	–	9,108	15-40	8.5	19.8

Our EECS Business

Overview

In addition to our power business, we also engage in the EECS business. Our EECS business primarily consists of electrical engineering construction service and sales of electric equipment and materials. We primarily conduct our electrical engineering construction services and related business through our subsidiary, Electricity Engineering Construction. Our EECS business are not restricted to a certain areas in the PRC.

For the years ended December 31, 2015, 2016, and 2017 and the six months ended June 30, 2017 and 2018, revenue derived from our EECS business amounted to approximately RMB174.7 million, RMB235.3 million, RMB310.9 million, RMB107.2 million and RMB123.6 million, respectively, accounting for approximately 10.8%, 13.9%, 16.8%, 12.8% and 12.7%, respectively, of our total revenue. The gross profit generated from our EECS business was approximately RMB45.3 million, RMB39.2 million, RMB31.8 million, RMB14.3 million and RMB25.2 million, respectively, accounting for approximately 13.7%, 11.9%, 9.9%, 10.5% and 13.3%, respectively, of our gross profit in the same periods.

Electrical Engineering Construction Service

Our electrical engineering construction service business primarily involves the construction work of electric power construction projects, including construction, installation, testing and maintenance of power facilities. These projects mainly include, among others, electricity supply engineering for new buildings, power receiving engineering for users, temporary electricity supply engineering construction and rural power grid engineering construction.

With respect to projects to be awarded through tender procedures, the business process for our electrical engineering construction service business generally involves the following stages: (i) pre-tender assessment; (ii) tender planning; (iii) tender; (iv) winning the bid and signing the contract; (v) construction in accordance with the design (including the equipment and materials sourcing); (vi) preparation of completion of construction information; (vii) construction completion and examination; (viii) settlement and auditing; and (ix) delivery and use. For projects involving commercial negotiation or other lawful means, the steps involving pre-tender assessment, tender planning and tender would be eliminated from the business process.

During the Track Record Period, we have worked on a number of electrical engineering construction projects, including rural grid assets from Hydropower Group, one of our Controlling Shareholders. We were awarded these projects through tender procedures as required by the applicable laws and regulations. Please also refer to the section headed "Connected Transactions" in this prospectus.

Completed Projects

During the Track Record Period, we had undertaken an aggregate of over 1,600 and completed over 1,500 electrical engineering construction projects. A majority of these projects were completed within 60 days of the construction commencement date. The table below sets forth a summary of the electrical engineering construction projects we undertook during the Track Record Period categorized in term of contract size.

Contract Size	**Number of Projects**	**Total Contract Amount**	**% of Total Number of Projects**	**% of Aggregate Contract Amount**
(RMB)		**(RMB'000)**		
Over 5,000,000	22	338,849.5	1.4%	49.8%
1,000,001 ~ 5,000,000	82	188,125.3	5.0%	27.6%
300,001 ~ 1,000,000	149	73,188.3	9.2%	10.8%
100,001 ~ 300,000	273	48,609.0	16.7%	7.1%
Less than 100,000	1,097	31,632.6	67.3%	4.7%
No specific contract amount[(1)]	6	N/A	0.4%	N/A
Total	1,629	680,404.7	100.0%	100.0%

Note:

(1) These electrical engineering construction projects did not have any specified contract amount mainly because they were government — contracted projects, which must be completed and audited before the final contractual amounts can be determined.

The table below sets forth our recently completed projects awarded by Independent Third Parties, each with a contract amount of RMB1.0 million or above.

No.	Name and Description of Project	Work Type	Contract Amount
			(RMB'000)
1	Power project for Longwan International Phase II – part I (龍灣國際二期一標段) in Gao County	Construction	6,680.0
2	Gao County Tongda Construction Materials Co., Ltd. 10 kV dedicate distribution line erecting project	Construction	1,130.0
3	Commercial electricity engineering Phase II at Dongcheng International (東城國際) in Gao County	Construction	1,830.0
4	Longrun Garden power distribution installation project in Dawo Town, Gao County (高縣大窩鎮)	Construction	1,010.0
5	Yuwang Avenue (僰王大道) power relocation project	Construction	1,710.0
6	Reconstruction project of power lines from Xiaqiao (下橋) to Guiyuanlin (桂圓林) toll station in Xingwen County	Construction	3,150.0
7	High and low voltage distribution project of Times Square in Gong County	Construction	4,880.0
8	10 kV electricity line project for Xingwen Vocational and Technical College (興文縣職業技術學院)	Construction	4,973.7
9	10 kV power project in Baihua Town Central School (白花鎮中心學校) in Yibin County	Construction	1,086.8

The following table sets forth the electrical engineering construction projects awarded to us by Hydropower Group, each with a contract value of RMB1.0 million or above that we have completed during the Track Record Period.

No.	Name and Description of Project	Work Type	Contract Amount
			(RMB'000)
1	Junlian County 2012 10 kV rural grid transformation and upgrading	Construction	23,614.2
2	Junlian County 2016 10 kV rural grid transformation and upgrading	Construction	20,055.0
3	Junlian County 2017 10 kV rural grid transformation and upgrading	Construction	3,695.6
4	Xingwen County 2012 10 kV rural grid transformation and upgrading	Construction	20,000.0
5	Xingwen County 2013 10 kV rural grid transformation and upgrading	Construction	3,458.8
6	Xingwen County 2015 10 kV rural grid transformation and upgrading	Construction	35,564.9
7	Xingwen County 2016 10 kV rural grid transformation and upgrading	Construction	24,500.0
8	Gao County 2012 10 kV rural grid transformation and upgrading	Construction	15,000.0

No.	Name and Description of Project	Work Type	Contract Amount
			(RMB'000)
9	Gao County 2013 10 kV rural grid transformation and upgrading	Construction	6,672.9
10	Gao County 2016 10 kV rural grid transformation and upgrading	Construction	23,450.0
11	Gao County 2017 10 kV rural grid transformation and upgrading	Construction	3,272.3
12	Yibin County 2010-2012 10 kV and below 10 kV rural grid project	Construction	13,618.2
13	Yibin County 2012 10 kV rural grid transformation and upgrading and 2005-2009 rural grid improvement	Construction	33,144.4
14	Yibin County 2016 10 kV rural grid transformation and upgrading	Construction	34,166.7
15	Pingshan County 2011 10 kV rural grid transformation and upgrading	Construction	1,713.5
16	Pingshan County 2012 10 kV rural grid transformation and upgrading	Construction	3,619.6
17	Pingshan County 2015 10 kV rural grid transformation and upgrading	Construction	21,959.1
18	Pingshan County 2017 10 kV rural grid transformation and upgrading	Construction	3,842.2
19	Gong County 2016 10 kV rural grid transformation and upgrading	Construction	19,390.0

Projects in Progress

As of September 30, 2018, 56 electrical engineering construction projects we undertook were in progress, having an aggregate contract amount of RMB101.2 million. The following table sets forth a rolling backlog of the electrical engineering construction projects in progress during the Track Record Period in terms of contract amount.

	Starting Balance(1)	Projects in Progress at the Beginning of the Period(1)	New Contracts Signed	Contracts Completed	Projects in Progress at the End of the Period(1)	Ending Balance(1)
	(RMB'000)					(RMB'000)
2015	984.2	2	212	210	4	2,965.1
2016	2,965.1	4	666	627	43	151,579.9
2017	151,579.9	43	327	359	11	126,102.0
2018 (up to June 30, 2018)(2)	126,102.0	11	415	380	46	112,505.9
2018 (up to September 30, 2018)(3)	126,102.0	11	521	476	56	101,243.1

Notes:

(1) For 2015, 2016 and 2017, the starting balance of the contract amount and the number of projects in progress were as of January 1 and the ending balance of the contract amount and the number of projects in progress were as of December 31.

(2) For 2018 (up to June 30, 2018), the starting balance of the contract amount and the number of projects in progress were as of January 1 and the ending balance of the contract amount and the number of projects in progress were as of June 30, 2018.

(3) For 2018 (up to September 30, 2018), the starting balance of the contract amount and the number of projects in progress were as of January 1 and the ending balance of the contract amount and the number of projects in progress were as of September 30, 2018.

For projects that were in progress as of June 30, 2018, approximately 46 were not completed in accordance with the due dates specified in the relevant contracts. We were not able to complete the construction of these projects on a timely basis primarily due to one or more of the following reasons: (i) counter-parties did not make the payments on time; (ii) counter-parties failed to complete the construction of the supporting facilities, which resulted in the delay of project completion; (iii) counter-parties requested to postpone construction and/or installation; or (iv) delays due to inclement weather or other conditions that were beyond our control. Our Directors confirmed that, as an industry practice, the delays in projects due to the aforesaid reasons that are beyond the control of the project contractors (i.e. our Group) are normally exempted from any compensation claims from the project owners regardless of whether there is a specific clause on the delay in the construction contracts. Among these incomplete projects, liabilities for breach of contract were stipulated in 14 project contracts. Confirmations or supplemental agreements had been provided to us by or entered into with the counter-parties of those 14 projects, according to which we and the project owners have mutually agreed that (i) given that the delays of such projects were attributable to reasons mentioned above, no compensation needs to be paid to the project owners; (ii) the construction periods for these projects have been extended either indefinitely or until December 31, 2018, as the case may be; and (iii) we shall not be held liable for any breach of contracts as a result of such project delays. As a result, for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we did not incur any liquidated damages, nor were we required to make any provision in the consolidated financial statements of our Group for and as of the three years ended December 31, 2017 and the six months ended June 30, 2018.

The following table sets forth our major electrical engineering construction projects currently in progress as of the Latest Practicable Date, each of which had a contract amount of RMB1.0 million or above.

No.	Name and Description of Project	Work Type	Contract Amount
			(RMB'000)
1	Highspeed railway Xinzheng 10 kV or below power line relocation project in Xingwen County	Construction	6,220.0
2	35 KV transformer engineering at Junlian Hongxiang Electric Power Fittings Company Limited (筠連縣宏祥電力金具有限公司)	Construction	4,900.0
3	35 KV power supply access engineering for Chuangyu High Performance Differential Fiber and Weaving Industry Fossil Plate Park (創宇高性能差別化纖維及織造產業化石盤園區) in Gao County	Construction	1,407.0
4	10 KV power distribution installation project of Yuanda Xiangxieli (遠達香榭里) in Yibin County	Construction	2,464.2
5	Power installation project in Lichang First Residential Area (李場首座小區) in Yibin County	Construction	1,260.0
6	10 KV relocation and transformation project outside Baixi Substation (柏溪變電站外) in Yibin County	Construction	2,100.0
7	Electrical installation project of Lafei 2-1 land plot (拉菲2-1地塊) in Xiangsong Garden(香頌花園) in Yibin County	Construction	17,600.0
8	Yibin Boxin Real Estate Development Co., Ltd. (宜賓博鑫房地產開發有限公司) power installation project in Yibin County	Construction	1,985.0
9	Electrical installation project for Yibin County Hyatt Gold Sand (宜賓縣凱悅金沙)	Construction	12,500.0
10	10 KV City Wave Line, Chengkang Line, Chenggong Line (城波線、城康線、城公線) relocation project in Yibin County Northern New Area	Construction	5,305.1
11	Power supply function separation and handover reconstruction project in Yibin County Jinxingyuan (金星苑)	Construction	6,281.6
12	Residential power project in Fortune Center III (財富中心住宅三期) in Gao County	Construction	1,780
13	Pingshan County Yibin Boyang Textile Co., Ltd. (屏山縣宜賓帛洋紡織有限公司) permanent power supply project outside the red lines (紅線外永久供電工程)	Construction	1,708
14	10 kV new power project in Jingang City, Xinshi Town (新市鎮金港城) in Pingshan County	Construction	1,460
15	10 kV combined special line construction power project for Chengyi Highway (ZCB4-3), Longxing to Shuangyi (成宜高速公路(ZCB4-3)隆興至雙誼段) in Yibin County	Construction	1,394

No.	Name and Description of Project	Work Type	Contract Amount
			(RMB'000)
16	10 kV combined special line construction power project for Chengyi Highway (ZCB4-2 and ZCB4-3), Guanyin to Longxing (成宜高速公路(ZCB4-2及ZCB4-2-3)觀音至隆興段) in Yibin County	Construction	2,600
17	Power distribution installation project for the resettlement houses in the fourth section of Nanxing Avenue (南興大道四段) and the east section of Jinsha Road (金沙路東段), Yibin County	Construction	3,180
18	10 kV relocation of four siege power lines of Chengbei New District west Jinjiang Avenue – Gaoli Street – Modern City (北新區金江大道西沿線-高梨街-現代城) in Yibin County	Construction	8,461
19	Power distribution project of section A of Jundu Xintiandi Community (筠都新天地) in Junlian County	Construction	1,773
20	10 kV new power project in Taihe New Residence (太和新居) in Pingshan County	Construction	1,520

Pending Projects

As of the Latest Practicable Date, we have also entered into a number of contracts for electrical engineering construction projects, for which we had yet to commence work. As of the Latest Practicable Date, the total contract amount outstanding was approximately RMB60.8 million, of which, approximately RMB42.2 million and RMB18.6 million are expected to be recognized in 2018 and 2019, respectively.

Sales of Electric Equipment and Materials

In addition to our electrical engineering construction service business, we also engage in the sales of electric equipment and materials. We typically sell electric equipment and materials in two ways: We are either commissioned by our customers to bundle certain electric equipment and materials along with the electrical engineering construction projects we undertake for them, or we sell certain electric equipment and materials directly to customers on a retail basis. For electric equipment and materials we sell through bundling, Based on the customer's needs, we will specify the electric equipment and materials to be used in the construction projects in the relevant electrical engineering construction service contract. We mainly sell to customers certain electric equipment and materials, including complete sets of electricity equipment, power distribution transformers, electric wires and cables, poles and cement products, hardware iron accessories and energy meters, among other things.

PRICING AND SALES

We generate a substantial portion of our revenue from our power business, which in the aggregate accounted for approximately 89.2%, 86.1%, 83.2% and 87.3%, of our total revenue in the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

Our Power Business

Pricing

In general, the sales price of our electricity is approved or fixed by the relevant pricing authorities in China. On March 28, 2005, the NDRC issued the Notice on Printing of the Implementation of Reform of Power Tariff (《關於印發電價改革實施辦法的通知》) to provide guidance for the reform of tariff-setting mechanism. Under this notice, the tariff is classified into an on-grid tariff, a transmission and distribution tariff and an end-user tariff, among which, only the end-user tariffs and on-grid tariffs are applicable to us. The PRC government is responsible for regulating and supervising power tariffs based on costs, investments and affordability of the local customers. However, the NDRC has promulgated the NDRC No. 5 Announcement of 2017 (《國家發展和改革委員會公告2017年第5號》) on July 13, 2017 to abolish the aforementioned notice. After the abolishment of such implementation of power price reform guidance, the Sichuan Development and Reform Commission has issued the Notice of Pricing Catalogue of Sichuan Province (《《關於印發<四川省定價目錄 >的通知》) and the Notice of Adjustment of the Provincial Power Grid Management Jurisdiction and Related Issues (《關於調整省屬電網電價管理權限有關事項的通知》) in April and May of 2018 to regulate that the transmission and distribution price, power selling price of provincial and non-provincial power grid enterprises and the grid power price of such power generation entities dispatched by provincial and non-provincial power grid enterprises would be determined by the provincial pricing administrative authorities or the Sichuan Development and Reform Commission, as the case may be. Our subsidiaries, including Yibin Electricity, Xingwen Electricity, Pingshan Electricity, Gong County Electricity, Gao County Electricity and Junlian Electricity, are included in the catalogue of the provincial power grid enterprises, which currently comply with the power tariff policies instituted by the Sichuan Development and Reform Commission. The publication of the abovementioned notices in 2018 had led a change of the relevant governing authorities of the power grid enterprises, but had not resulted in any material change on the general pricing mechanism of the power prices. The pricing mechanism of the power prices remains the same as our unit selling prices of electricity and unit costs of purchasing electricity are usually adjusted in the same direction and in similar magnitude by the Sichuan Development and Reform Commission, which are generally applicable to such selling prices and costs then in effect at or around the same time. For further details of the relevant laws and regulations governing the pricing mechanism in the PRC power industry, please see the section headed "Regulatory Environment — Regulations on the Power Industry — Pricing Rule" in this prospectus.

Sales of Electricity to Our End Users — End-user Tariffs

The determination of end-user tariff is affected by the electricity purchasing cost from our third-party suppliers, loss of electricity in transmission and distribution, the transmission and distribution tariff and government funds. Since 2012, the PRC authority adopted the "tiered-pricing policy" for household electricity use. Pursuant to this policy, we charge different electricity unit fees based on the amount of electricity usage. For our general industrial and commercial customers and large industrial customers, we adopt different pricing schemes for water-sufficient and water-deficit seasons, as well as peak and off-peak hours in order to optimize the efficiency of their electricity use. According to the notice issued by the NDRC in 2013 to adjust the power tariffs classification structure in the PRC, end-user tariffs were classified into residential use, agricultural use, industrial and commercial use and other uses.

Sales of Electricity to Grid Companies — On-grid Tariffs

We also sell surplus electricity to grid companies, namely, State Grid Company. On-grid tariffs refer to the price at which a power supply company may sell its electricity to the grid companies. Since April 2001, the PRC government has started to gradually implement a new on-grid tariff-setting mechanism based on the operating and capital costs of individual power plants as well as the average costs of comparable power plants. On July 9, 2003, the PRC government approved the Power Tariff Reform Plan (電價改革方案) and made it clear that the long-term objective of the reform is to establish a standardized and transparent tariff-setting mechanism.

In April 2004, in order to improve government management capabilities and provide guidance on investments in the PRC power industry, the NDRC introduced a benchmark price policy and set unified water, thermal and electricity prices for different Provinces. The power industry generally followed this price reform policy and determined the on-grid tariffs accordingly.

For the existing hydropower plants in the PRC, including our hydropower plants, the on-grid tariffs are subject to an annual review and approval process involving the relevant local government authorities, or the NDRC, as the case may be. We have little influence on the setting of the tariff rates, which are determined and announced by the provincial pricing bureau according to the factors mentioned above. Our Directors believe that the future tariffs are unlikely to be set at levels that are lower than the current tariffs upon renewal of our existing power purchase and sales agreements of our Group, mainly because:

- the PRC government encourages the use of and investment in clean and renewable energy;
- the average on-grid tariff of hydropower is on the low side as compared with thermal power; and
- the on-grid tariff for hydropower plants in Sichuan Province is generally lower than that of some other provinces of the PRC.

Other Salient Terms of Our Power Sales Agreements

Sales to End Users

While the specific contractual terms vary from one customer to another, they typically include standard terms such as end-users tariffs, metering, payment and settlement, and liability and damages. The following summarizes the typical contractual terms in our power supply and usage agreement with our end users:

(a) **Terms and termination**: Our power purchase and sales agreements with the end users usually have a term of one year and will remain effective indefinitely upon its expiry unless terminated by either party.

(b) **Payment terms**: We collect electricity usage information from power meters on a monthly basis and we generally require our customers to settle full payment on the 28th day, the last day of each month or the fifth day of the next month, as the case may be. If our customers fail to make payments on a timely manner, we have the right to cut off power supply at our discretion in due course.

(c) **Restriction on suspension of electricity**: We shall maintain consistent supply of electricity to our customers. However, the delivery of electricity can be suspended or limited if the procedures set out under the relevant rules and regulations, including Regulation on Electric Power Supply and Marketing (供電營業規則), are strictly followed, or otherwise our Group will be subject to penalties in accordance with the relevant rules and regulations.

Our Directors confirmed that during the Track Record Period, we did not pay any penalty to our customers due to power suspension or limited supply.

Sales to Grid Companies

We sell our surplus electricity to State Grid Company and the sales price is subject to the terms of the relevant power purchase and sales agreements. The agreements typically include standard terms such as on-grid tariffs, payment and settlement, and scheduled electricity output for each month.

(a) **Terms and termination**: Our power purchase and sales agreements with State Grid Company usually have a term of one year and will remain effective upon its initial expiry date unless terminated by either party.

(b) **Payment terms**: Payments for on-grid electricity are generally settled on a monthly basis — purchasing receipt is settled by the grid company by the agreed date, and the full payment shall be settled by the 25th day of the month after the month during which electricity sales occurred.

(c) **Scheduled output of electricity**: The quantity of electricity sold is generally determined based on the monthly estimated targets set by the parties in the agreement based on water-sufficient (usually from June to October of each year) and water-deficit seasons, subject to adjustments in accordance with our actual operational situation.

According to the Regulatory Measures for Grid Companies' Full Purchase of Renewable Energy Electricity (《電網企業全額收購可再生能源電量監管辦法》), grid companies are obliged to fully purchase the on-grid electricity generated from renewable energy in their exclusive area of operation as long as they can ensure the safe operation of the power grids. Therefore, during the Track Record Period, our surplus electricity was fully purchased by State Grid Company.

Due to the variation of hydrological conditions and the amount of water flow at our hydropower plant sites, gross electricity generation at our hydropower plants also varies from day to day. Any surplus electricity we have (whether self-generated or purchased from third-party suppliers) is sold to the State Grid Company at the established on-grid tariff. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, electricity sales to State Grid Company constituted approximately 2.9%, 1.5%, 1.3% and 0.2% of our total revenue, respectively.

Our EECS Business

Sales

Our electrical engineering construction contracts (including the terms governing the sales of electric equipment and materials that are bundled with the relevant electrical engineering construction projects) are generally awarded to us through open competition, such as through tender procedures, commercial negotiation and other lawful means.

Salient Terms of Our Electrical Engineering Construction Contracts

While specific contractual terms vary from one project to another, our contracts for our electrical engineering construction service business typically include the following key terms:

(a) **Payment terms**: Our contracts typically provide for payments in installments based on pre-agreed milestones. We generally require an advance payment of 30% to 50% of the total contract value from our customers upon signing of a construction contract. Progress payments of up to 80% of the total contract value (inclusive of the advance payment) are normally made in installments according to the specific project schedule. Upon completion of the project and subsequent audit, 15% of the total contract value shall generally be paid. The remaining 5% of the total contract value will be held by the customer as deposit for quality guarantee purposes, which will be paid to us by the clients within six months to one year after the inspection and acceptance of the completed projects.

(b) **Inspection**: The projects will usually be tested and inspected by our customers upon completion. We will rectify any defects or deviations from the specifications of the customers. If the examination results are satisfactory, our customers will grant us an acceptance certificate.

(c) **Warranty period**: For our construction projects, we usually provide a warranty period of six months to 12 months commencing from the date of issuance of the acceptance certificate. During the warranty period, we shall be liable for all the defects in our work pursuant to the terms of the contracts.

(d) **Alterations of specifications and drawings**: For our construction projects, our customers usually have the right to request an alteration of specifications and designs. Any such request must be sent to our Company in writing for approval. Any change of the contract price, if any, shall be agreed upon by both parties.

OUR ASSOCIATED COMPANIES

During the Track Record Period, we made investments in certain associated companies. The following table sets forth the business scope and financial performance of our associated companies as of the dates indicated and the ownership interest held by our Group in our associated companies as of June 30, 2018.

Name of associated company	Scope of Business	Net Profit For the year ended December 31, 2015	For the year ended December 31, 2016	For the year ended December 31, 2017	For the six months ended June 30, 2018	Equity Interest Held by Our Group
		RMB'000	RMB'000	RMB'000	RMB'000	
Emeishan Jinkun Micro-credit Co., Ltd.* (峨眉山市金坤小額貸款有限公司)	Money lending and related consulting services	25,927	20,590	17,376	4,626	20.0%
Yibin Nanxi District Jinkun Micro-credit Co., Ltd.* (宜賓市南溪區金坤小額貸款有限公司)	Money lending and related consulting services	32,612	22,799	29,292	7,891	25.0%
Pingshan Jinping Real Estate Development Co., Ltd.* (屏山金屏房地產開發有限公司)	Mainly real estate project investment	(391)	(674)	690	8	49.0%
Xuyong County Jiangmen New District Electricity Development Co., Ltd.* (敘永縣江門新區電力開發有限責任公司)	Grid-connected power generation	(246)	72	(947)	(993)	49.0%
Sichuan Yibin Electricity Co., Ltd.* (四川宜賓電力有限公司)[(1)]	Power generation and sales	N/A	N/A	N/A	N/A	30.0%

Note:

(1) As of the Latest Practicable Date, Sichuan Yibin Electricity Co., Ltd.* (四川宜賓電力有限公司) had not began its business operation.

OUR CUSTOMERS

All of our five largest customers during the Track Record Period were mainly large industrial companies, such as power suppliers, cement manufacturers and industrial and electricity construction service providers, as well as State Grid Company.

The following table sets out the years of business relationship with our top five customers, the sales amount and the percentage of total revenue for the year ended December 31, 2015.

Name of customer	Years of Business with the Customer	Sales Amount	Percentage of Total Revenue
		RMB'000	(%)
Customer A	Since 2012	75,261	4.7
Customer B	Since 2012	74,026	4.6
Customer C	Since 2011	63,335	3.9
Customer D	Since 2011	41,976	2.6
Customer E	Since 2013	29,250	1.8
Total		283,848	17.6

The following table sets out the years of business relationship with our top five customers, the sales amount and the percentage of total revenue for the year ended December 31, 2016.

Name of customer	Years of Business with the Customer	Sales Amount	Percentage of Total Revenue
		RMB'000	(%)
Customer B	Since 2012	66,794	3.9
Customer C	Since 2011	60,466	3.6
Customer A	Since 2012	60,402	3.6
Customer F	Since 2011	52,749	3.1
Customer E	Since 2013	42,224	2.5
Total		282,635	16.7

The following table sets out the years of business relationship with our top five customers, the sales amount and the percentage of total revenue for the year ended December 31, 2017.

Name of customer	Years of Business with the Customer	Sales Amount	Percentage of Total Revenue
		RMB'000	(%)
Sichuan Construction Engineering (四川能投建工集團有限公司)	Since 2011	95,482	5.2
Customer E	Since 2013	67,034	3.6
Customer A	Since 2012	66,904	3.6
Customer B	Since 2012	58,039	3.1
Customer C	Since 2011	48,763	2.6
Total		336,222	18.1

The following table sets out the years of business relationship with our top five customers, the sales amount and the percentage of total revenue for the year ended June 30, 2018.

Name of customer	Years of Business with the Customer	Sales Amount	Percentage of Total Revenue
		RMB'000	(%)
Customer E	Since 2013	44,292	4.6
Customer A	Since 2012	34,919	3.6
Customer B	Since 2012	33,946	3.5
Customer C	Since 2011	29,585	3.0
Customer H	Since 2014	27,280	2.8
Total		170,022	17.5

We have developed business relationships with our five largest customers during the Track Record Period ranging from four to seven years as of June 30, 2018. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, our five largest customers in aggregate accounted for approximately 17.6%, 16.7%, 18.1% and 17.5%, respectively, of our total revenue, and sales to our largest customer accounted for approximately 4.7%, 3.9%, 5.2% and 4.6%, respectively, of our total revenue during the same periods.

Our largest customer for the year ended December 31, 2017, Sichuan Construction Engineering, one of our connected persons and which we provided electrical engineering construction services in connection with certain power construction projects, was also one of our suppliers during the Track Record Period. It provided electrical engineering construction services to us in connection with certain power construction projects. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the revenue from Sichuan Construction Engineering amounted to RMB9.0 million, RMB29.6 million, RMB95.5 million and RMB17.8 million, respectively, and our costs of sales relating to Sichuan Construction Engineering was RMB8.0 million, RMB26.4 million, RMB85.0 million and RMB16.4 million, respectively. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the gross profit attributable to Sichuan Construction Engineering amounted to RMB1.3 million, RMB3.2 million, RMB10.5 million and RMB1.4 million, respectively.

None of our Directors or any of their respective associates or, to the knowledge of our Directors, shareholders who own more than 5% of our issued share capital as at the Latest Practicable Date, had any interest in any of our five largest customers during the Track Record Period, except for Hydropower Group.

State Grid Company, one of our top five largest customers during the Track Record Period, was also one of our top five largest suppliers during the Track Record Period. Please refer to the section headed "— Our Suppliers" in this section.

Customers of our power business are primarily categorized into the following groups: (i) household; (ii) general industrial and commercial; (iii) large industrial; (iv) State Grid Company; and (v) others.

The following table sets forth our pricing and sales information, as well as electricity sales and revenue of our power business in accordance with our customer category for the periods indicated.

Type of Customer	For the year ended December 31,															For the six months ended June 30,				
	2015					2016					2017					2018				
	Electricity Sales		Revenue		Average Unit Price Excluding VAT	Electricity Sales		Revenue		Average Unit Price Excluding VAT	Electricity Sales		Revenue		Average Unit Price Excluding VAT	Electricity Sales		Revenue		Average Unit Price Excluding VAT
	(MWh)	(%)	(RMB in millions)	(%)	(RMB/ kWh)	(MWh)	(%)	(RMB in millions)	(%)	(RMB/ kWh)	(MWh)	(%)	(RMB in millions)	(%)	(RMB/ kWh)	(MWh)	(%)	(RMB in millions)	(%)	(RMB/ kWh)
Household	824,892	33.1	464.4	32.3	0.5630	929,395	36.6	530.4	36.4	0.5707	988,085	36.2	549.9	35.7	0.5566	515,787	34.6	287.0	33.9	0.5565
General industrial and commercial	597,803	24.0	462.1	32.1	0.7730	617,272	24.3	480.6	33.0	0.7786	645,063	23.6	492.8	32.0	0.7640	344,333	23.1	263.5	31.1	0.7653
Large industrial[1]	778,126	31.2	426.3	29.6	0.5479	731,746	28.9	367.7	25.2	0.5025	790,872	29.0	396.1	25.7	0.5007	487,164	32.7	241.2	28.5	0.4951
State Grid Company	174,010	7.0	42.0	2.9	0.2414	104,324	4.1	21.4	1.5	0.2051	93,068	3.4	20.7	1.3	0.2228	6,281	0.4	1.4	0.2	0.2296
Others[2]	120,238	4.8	45.1	3.1	0.3751	153,862	6.1	56.3	3.9	0.3659	212,050	7.8	82.8	5.3	0.3905	135,400	9.1	53.8	6.3	0.3971
Total	2,495,069	100.0	1,439.9	100.0	0.5771	2,536,599	100.0	1,456.4	100.0	0.5742	2,729,138	100.0	1,542.3	100.0	0.5651	1,488,965	100.0	846.9	100.0	0.5688

Notes:

(1) "Large industrial customers" refers to industrial electricity users that have installed transformer capacity of 315 kVA or above.

(2) Others include agricultural customers and other customers.

Customer Relations and Services for Our Power Business

To ensure the quality of our customer services, we have a comprehensive customer service program. It is our policy to respond to our customers within 24 hours upon reception of customer inquiry and complaint regarding quality issues. We also provide continuous monitoring of power supply network, regular follow-up and on-site visit. Our customer service program enables us to obtain user feedback in a timely manner and help us refine our products and services accordingly.

In order to maintain cordial relationships with our customers, we conduct regular interviews and visits with them. We also provide electricity safety education to the public. In order to improve our customer services, we plan to expand the use of smart power meters to facilitate the collection of electricity use information from our customers and to optimize the efficiency of the payment process. We also intend to establish a customer management system to provide tailor-made consulting services to industrial electricity users.

REPAIR AND MAINTENANCE

We strive to improve our operating efficiency by performing repair and maintenance with our in-house and third-party resources and enhancing our equipment monitoring and diagnostic systems. Our electricity generation and distribution facilities have timetables for routine cleaning, maintenance, inspections and repair. For example, we generally conduct maintenance work on our power supply network in the spring and fall of each year.

We usually inspect turbines of our electricity generating units on a weekly basis. We also conduct maintenance and repair before and after every flood season, which usually occurs from March through May and from November to December of each year, in order to minimize water waste. Major overhaul on our hydropower turbines is organized every two to three years. For our power distribution systems, we normally conduct maintenance work on an as-needed basis based on the prevailing operating condition of these systems.

Our total repair and maintenance expenses for the years ended December 31, 2015, 2016, and 2017 and the six months ended June 30, 2018, were approximately RMB38.5 million, RMB51.3 million, RMB47.0 million and RMB18.3 million, respectively, representing approximately 3.0%, 3.8%, 3.1% and 2.3%, respectively, of our total cost of sales for those periods.

QUALITY CONTROL

Power supply is a technology-intensive industry and relevant technical standards have been well established. The operation of our business and related equipment have passed a variety of national standards in terms of quality and safety. Obtaining these standards proves that our internal operation standard is in line with relevant industrial criteria and that we are able to maintain sustainable and stable power supply. We have met the following standards as of the Latest Practicable Date:

Standard	Description
Quality of Electric Energy Supply Admissible Deviation of Supply Voltage (電能質量供電電壓偏差)	Acceptable voltage deviation from the standard voltage value applied for power supply customers
Quality of Electric Energy Supply Permissible Deviation of Frequency for Power System (電能質量電力系統頻率允許偏差)	Acceptable frequency deviation from standard frequency value for stable functioning of power network

In addition, a number of our hydropower plants and transformer substations are automated, which improve the reliability, security and efficiency of our power network.

We have implemented various quality control standards and procedures for our equipment and workforce, such as physically inspecting equipment parts and issuing safety measures and providing trainings to our employees. The following table compares the relevant quality rates of our operation and the national standards as of the Latest Practicable Date.

Main Quality Assessment	Our Group	National Standard	Issuing Organization/ Year
Power network voltage qualification rate (電網電壓合格率) (%)(1)	99.61	≥95	SERC/2009
Power distribution system reliability rate (供電可靠率) (%)(2)	99.69	≥99.0	SERC/2009
Line loss rate (線損率) (%)(3)	8.25	≤10	NEA/2015

Notes:

(1) Power network voltage qualification rate is calculated as the period of time when actual voltage deviation falls within the permitted voltage deviation range, divided by the total time of the period, in accordance with Guobiao: GB/T 12325-2008 Power Quality — Deviation of Supply Voltage (中華人民共和國國家標準: GB/T 12325-2008 電能品質供電電壓偏差) and Measures for the Supervision and Administration of Electric Power Supply (供電監管辦法).

(2) Power distribution system reliability rate is calculated as the number of hours with effective power supply to users, divided by the total number of hours in the period, in accordance with the Measures for the Supervision and Administration of Electric Power Supply (供電監管辦法).

(3) Line loss rate is the percentage of electricity loss (load capacity) during the transmission and distribution of electricity within the power supply system (including, among others, line loss and equipment loss) in the electricity supplied (load capacity).

We believe the above reliability ratings are the result of our prudent operation and effective maintenance of our generation and distribution systems carried out by our experienced and dedicated workforce ranging from our senior management to frontline employees. Our Directors confirm that, during the Track Record Period, we had not received any complaints from our customers regarding the quality of our power supply that are of a material nature.

We have implemented emergency preparedness systems in our power system to ensure rapid response to accidents. This emergency preparedness system focuses primarily on power safety and power outage accidents. It ensures that we always have personnel on-call in case of emergencies to ensure that response systems are implemented as promptly as possible. We make efforts to ensure that our personnel responsible for emergency response are adequately trained. Amongst other mechanisms for ensuring emergency preparedness, we regularly conduct a variety of emergency response exercises. We strive to ensure that our safety and supply stability are maintained at the desirable standard and improved when necessary. Our Directors confirm that, during the Track Record Period, we had not encountered any power outage due to accidents or safety emergencies that are of a material nature.

SOURCING

Our Power Business

Our primarily procure electricity for our power business. In addition to the electricity we produce through the hydropower plants we own and operate, we also procure electricity from third-party power suppliers, including State Grid Company and Southern Grid Company, as well as other third-party hydropower plants and power companies that are connected to our power grid.

For the electricity we purchase from State Grid Company and Southern Grid Company, the purchase price is usually determined through negotiation and is an average price calculated based on the historical electricity usage from the various categories of our customers within our power supply service area. The amount of electricity to be sourced from State Grid Company and Southern Grid Company is determined based on the actual customer demand and the amount of our hydropower generation, which is affected by the hydrological conditions prevailing in the regions where our hydropower plants are located. On the other hand, for the electricity we purchase from third-party power suppliers other than State Grid Company and Southern Grid Company, the purchase price is either negotiated or is subject to the applicable regional regulations and laws.

The following table sets forth our electricity sourcing cost and amount according to our supplier category for the periods indicated.

	For the year ended December 31,															For the six months ended June 30,				
	2015					2016					2017					2018				
Type of Supplier	Amount		Cost of Purchase of Electricity		Average Unit Cost Excluding VAT	Amount		Cost of Purchase of Electricity		Average Unit Cost Excluding VAT	Amount		Cost of Purchase of Electricity		Average Unit Cost Excluding VAT	Amount		Cost of Purchase of Electricity		Average Unit Cost Excluding VAT
	(MWh)	(%)	(RMB in millions)	(%)	(RMB per kWh)	(MWh)	(%)	(RMB in millions)	(%)	(RMB per kWh)	(MWh)	(%)	(RMB in millions)	(%)	(RMB per kWh)	(MWh)	(%)	(RMB in millions)	(%)	(RMB per kWh)
State Grid Company	767,915	36.1	302.7	43.6	0.3942	566,328	26.9	219.1	32.5	0.3869	687,171	28.8	254.4	33.7	0.3702	505,110	36.4	190.0	41.5	0.3762
Southern Grid Company	242,726	11.4	86.3	12.5	0.3555	333,749	15.8	120.5	17.9	0.3610	523,538	21.9	185.2	24.5	0.3538	475,920	34.3	149.3	32.6	0.3137
Others[(1)]	1,118,889	52.5	304.8	43.9	0.2724	1,205,870	57.3	335.0	49.6	0.2778	1,175,299	49.3	315.9	41.8	0.2688	408,093	29.4	118.7	25.9	0.2909
Total	2,129,530	100.0	693.8	100.0	0.3258	2,105,947	100.0	674.6	100.0	0.3203	2,386,008	100.00	755.5	100.00	0.3166	1,389,123	100.0	458.0	100.0	0.3297

Note:

(1) Include other hydropower plants and power companies.

Sourcing Process

Our ability to flexibly choose suppliers is limited by regional factors and the power grid. We determine our sourcing plan based on the anticipated power demand and the power generation capacity of our hydropower plants and third-party power plants, and we subsequently provide the grid companies the anticipated amount of electricity to be supplied.

We would enter into power supply agreements with third-party suppliers (including grid companies and power plants) with a term of one year and we would procure electricity on a daily basis based on sourcing plan. During the Track Record Period, for the supply agreement entered into by our Group and the power plants (including the hydropower plants or other electricity generating companies), the amount of electricity to be sold to us has been agreed at the outset, and we are required to purchase such amount of electricity generated by the relevant suppliers pursuant to the terms of the supply agreement. Our extra demand will be complemented by the supply from State Grid Company and Southern Grid Company. Every day, a sourcing plan for the next day will be given to them and they will supply electricity on the next day based on the sourcing plan. In case of a shortage on the next day, they will supplement us with extra electricity to ensure continuous electricity supply to our end users. The amount of electricity to be purchased from State Grid Company and Southern Grid Company varies depending on our actual electricity deficit.

Due to the basic necessity of power consumption, the relevant laws and regulations in the PRC generally do not allow power suppliers to voluntarily suspend the supply of electricity. In addition, our power supply agreements with State Grid Company stipulates that State Grid Company has the obligation to supply electricity to us without interruption unless it encounters difficulties in supplying electricity, including, among other things, interruptions relating to facility maintenance, electric device inspection failure and other force majeure events. In these situations, State Grid Company shall resume the supply of electricity to us within three days after the cause of suspension or interruption is eliminated, or if the supply of electricity cannot be resumed within the prescribed period, State Grid Company shall provide us reasons for such delay. We have emergency measures in place in the event of power interruptions that are caused by serious accidents or natural disasters, which include, but not limited to, reporting the power interruption to our emergency response team, which comprises mainly of (i) our general manager, personnel in charge of security and the general managers of each of our subsidiaries; (ii) notifying the relevant government authorities about the power interruption; (iii) strengthening the information delivery and publicity during power interruption; and (iv) resuming grid operations and power supply as soon as practicable. During the course of restoring electricity, our hydropower plants are required to strictly follow the dispatch instructions of our power dispatch center to resume operations and our customers are advised to strictly adhere to the electricity usage plan formulated by us. Our technical department and equipment department will also strengthen their basic support in the event of serious emergencies. In addition, we will improve the comprehensive and technical skills and emergency response capabilities of our employees through regular training and simulation exercises.

Salient Terms of the Power Supply Agreements

While the specific contractual terms vary from one supplier to another, the following summarizes the typical contractual terms in our power supply agreement:

(a) **Terms and termination**: Our power supply agreements with our suppliers usually have a term of one year and will remain effective upon its expiry if there is no objection from either party.

(b) **Pricing**: On-grid tariffs for all sources of hydropower are fixed by the PRC government pricing authorities, as adjusted in accordance with policy changes implemented by such authorities or local pricing conditions.

(c) **Payment terms**: (i) For power supply agreements with the State Grid Company, payments will be made in three installments per month. Two prepayments, each amounts to 40% of total payment of the previous month, are to be paid on fifth and 15th day of the month. Actual electricity usage will be determined on the 23rd day of the month and the remaining balance of the month shall be paid within three days; (ii) for power supply agreements with the Southern Grid Company, the checking of power meters is performed on the 16th day of the month and the payment of the current month shall be settled on the 25th day of each month; and (iii) for small hydropower plants and other power companies, payment shall be calculated on the 20th day of each month and the payment shall be settled accordingly within 10 working days thereafter.

Our EECS Business

We generally procure parts and equipment for our electrical engineering construction projects through tender and/or other legal means. The equipment and materials we sourced mainly include, among other things, electric wires and cables, diesel generators, transformers, distribution boxes and low voltage switchgears.

Sourcing Process

The sourcing process for our electrical engineering construction projects primarily involves the following stages: (i) making procurement plans; (ii) determining tender methods; (iii) formulating and reviewing technical conditions; (iv) formulating and reviewing tender documents; (v) invitation of tender; (vi) signing purchase agreements; and (vii) making the purchase.

Salient Terms of Our Purchase Contracts

While specific contractual terms vary from one suppliers to another, our purchase contracts for electrical engineering construction projects typically include the following key terms:

(a) **Payment terms**: We usually pay an initial deposit of approximately 10% to 30% of the total contract value upon signing of the contract with the suppliers. The progress payment is usually settled in installments, namely, upon delivery, installation, final testing and approval of the purchased equipment and materials, which shall not exceed 85% of the total contract value (including the initial deposit). We pay 5% to 10% of the total contract value after the project is audited. The remaining 5% to 10% of the total contract value serves as project quality guarantee, which shall be settled after the expiration of the warranty period.

(b) **Warranties and supporting services**: Our suppliers generally provide a warranty period of 12 months from delivery. They are usually liable for the malfunctioning of the purchased items in accordance with the terms of purchase contracts. Some suppliers also provide supporting services, such as maintenance and care.

(c) **Penalties**: In case of delay in delivery due to the suppliers' fault, suppliers are usually required to pay penalties according to the contractual terms.

OUR SUPPLIERS

All of our five largest suppliers during the Track Record Period were Independent Third Parties, and were power companies and power plants. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, aggregate purchases from our five largest suppliers accounted for approximately 67.5%, 59.0%, 65.0% and 80.9% of our total cost of purchase of electricity, respectively, while purchases from our largest supplier accounted for approximately 43.6%, 32.5%, 33.7% and 41.5%, of our total cost of purchase of electricity, respectively. We have developed business relationships with our five largest suppliers during the Track Record Period ranging from two to seven years as at June 30, 2018.

The following table sets out the years of business relationship with our top five suppliers, the amount of electricity purchase and the percentage of total electricity purchase for the year ended December 31, 2015.

Name	Years of Business with the Supplier	Amount of Electricity Purchase	Percentage of Total Cost of Purchase of Electricity
		RMB'000	(%)
State Grid Company(1)	Since 2011	302,738	43.6
Yiliang County Naohe Hydropower Development Co., Ltd., Yungui Bridge Power Station (彝良縣格鬧河水電開發有限公司雲貴橋電站)	Since 2014	57,518	8.3
Weixin Electricity Supply Limited(3)	Since 2011	44,509	6.4
Yanjin Electricity Supply Limited(2)	Since 2011	36,532	5.3
Shuifu Dayukong Electricity Supply Limited (水富大魚孔發電有限公司)	Since 2013	26,753	3.9
Total		468,050	67.5

The following table sets out the years of business relationship with our top five suppliers, the amount of electricity purchase and the percentage of total electricity purchase for the year ended December 31, 2016.

Name	Years of Business with the Supplier	Amount of Electricity Purchase	Percentage of Total Cost of Purchase of Electricity
		RMB'000	(%)
State Grid Company(1)	Since 2011	219,132	32.5
Yiliang County Naohe Hydropower Development Co., Ltd.,Yungui Bridge Power Station	Since 2014	54,903	8.1
Yanjin Electricity Supply Limited(2)	Since 2011	49,843	7.4
Weixin Electricity Supply Limited(3)	Since 2011	37,855	5.6
Sichuan Jiuhe Electricity Limited	Since 2011	36,407	5.4
Total		398,140	59.0

The following table sets out the years of business relationship with our top five suppliers, the amount of electricity purchase and the percentage of total electricity purchase for the year ended December 31, 2017.

Name	Years of Business with the Supplier	Amount of Electricity Purchase	Percentage of Total Cost of Purchase of Electricity
		RMB'000	(%)
State Grid Company[(1)]	Since 2011	254,393	33.7
Yunnan Power Grid Co. Ltd., Zhaotong Shuifu Power Supply Bureau (雲南電網有限責任公司昭通水富供電局)[(4)]	Since 2016	83,714	11.1
Yanjin Electricity Supply Limited[(2)]	Since 2011	62,556	8.3
Yiliang County Naohe River Hydropower Development Co., Ltd., Yungui Bridge Power Station	Since 2014	50,182	6.6
Sichuan Jiuhe Electricity Limited	Since 2011	40,039	5.3
Total		490,884	65.0

The following table sets out the years of business relationship with our top five suppliers, the amount of electricity purchase and the percentage of total electricity purchase for the six months ended June 30, 2018.

Name	Years of Business with the Supplier	Amount of Electricity Purchase	Percentage of Total Cost of Purchase of Electricity
		RMB'000	(%)
State Grid Company[(1)]	Since 2011	189,969	41.5
Yunnan Power Grid Co., Ltd. Zhaotong Shuifu Power Supply Bureau	Since 2016	90,205	19.7
Yanjin Electricity Supply Limited[(2)]	Since 2011	56,404	12.3
Sichuan Jiuhe Electricity Limited	Since 2011	18,395	4.0
Yiliang County Naohe Hydropower Development Co., Ltd., Yungui Bridge Power Station	Since 2014	15,773	3.4
Total		370,746	80.9

Notes:

(1) State Grid Company, Yibin Branch, was also one of our top five largest customers during the Track Record Period. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the revenue from State Grid Company was RMB42.0 million, RMB21.4 million, RMB20.7 million and RMB1.4 million, respectively, and the cost of electricity we purchased from State Grid Company for the same periods was RMB302.7 million, RMB219.1 million, RMB254.4 million and RMB190.0 million, respectively.

(2) Yanjin Electricity Supply Limited is a subsidiary of Southern Grid Company.

(3) Weixin Electricity Supply Limited is a subsidiary of Southern Grid Company.

(4) Yunnan Power Grid Co. Ltd., Zhaotong Shuifu Power Supply Bureau is a subsidiary of Southern Grid Company.

None of our Directors or any of their respective associates, or to the knowledge of our Directors, shareholders who own more than 5% of our issued share capital as at the Latest Practicable Date, had any interests in any of our five largest suppliers during the Track Record Period.

SEASONALITY

Our power business is subject to seasonality. A portion of the electricity supplied by us was generated from our hydropower plants, whose performance is dependent upon hydrological conditions prevailing from time to time in the regions in which our existing and hydropower plants are located. We typically record higher profits in the second half of the year (usually from June to October of each year) than the first half, when the levels of precipitation in Sichuan Province increase and the hydrological conditions prevailing at our hydropower plant sites become more favorable. We attribute this seasonality to water-sufficient season during summer and water-deficit season during winter, which has a significant impact on our revenue from power supply, as the amount of self-generated electricity will be greater in the summer than in the winter. Therefore, the utilization rate of our hydropower plant in the first half of the year is generally lower as compared with that of the second half of the year. To compensate for the shortfall of self-generated electricity in the winter, we typically purchase additional externally sourced electricity. Thus, the supply cost of electricity in the first half of the year will generally be higher than that in the second half. For further details of the risks associated with business seasonality, please see the section headed "Risk Factors — Risks Relating to Our Business — Our power generation is dependent on hydrological conditions and we may face risks of business seasonality" in this prospectus.

COMPETITION

The relevant subsidiaries of our Company have obtained the necessary Electric Power Business License (電力業務許可證(供電類)), which gives permission for our power business. The Power Supply Business License and Electric Power Business License stipulate the service areas where we can supply electricity, which cover parts of the Seven Counties and Districts and certain of the surrounding areas where we currently operate our power business. As of December 31, 2017, our power supply service area covered approximately 68.6% of the geographic area of Yibin City and accommodated for approximately 57.3% of its entire population, according to the Euromonitor Report.

According to Article 25 of Electric Power Law, there shall be only one regional power supply enterprise in each electricity service area. Therefore, we face no competition within our service area.

According to the Euromonitor Report, we ranked first in Sichuan Province in terms of the total amount of electricity revenue in 2017 among other publicly listed local power providers in the Province. In addition, according to the Euromonitor Report, in 2016, we had a market share of 34.0% of the total amount of power consumption in Yibin City. For further details of our competitive landscape, please see the section headed "Industry Overview — Competitive Landscape" in this prospectus. Given our competitive strengths as set out in the section headed "— Competitive Strengths" above, our Directors believe that we are able to provide services that meet the required standards and compete effectively with other industry players.

EMPLOYEES

As of June 30, 2018, we had in total 3,108 full-time employees, and all of them were based in the PRC. The following table sets forth a breakdown of our employees by division as of June 30, 2018:

	Number of employees	Percentage of total
		%
Management and board office	70	2.3
Power operation and management	2,465	79.3
Accounting	62	2.0
Logistics	165	5.3
Internal control	53	1.7
Human resources	43	1.4
Facility construction and safety management	62	2.0
Investment and development	28	0.9
Sales and marketing	77	2.4
Production and technology	83	2.7
Total	3,108	100.0

As required by the PRC laws and regulations, we participate in housing provident funds and various employee social insurances schemes that are organized by applicable authorities, including housing, pension, medical, work-related injury, maternity and unemployment benefit insurance plans, under which we make contributions at specified percentages of the salaries of our employees.

We require our technical staff to have the relevant license required for their specific positions, such as repair, maintenance, technical testing and assessment and safety management, among others. In general, we require employees in these positions to obtain relevant qualifications before starting their work at our Company.

In order to maintain their knowledge and skill levels, we provide trainings to our employees periodically, including technical trainings and management trainings. Our staff may enroll in job-related courses to better equip themselves with necessary technical knowledge. We also carry out regular staff evaluations to assess their performance from time to time.

We have not encountered any difficulty in recruiting employees for our business operations during the Track Record Period.

Relationship with Our Employees

We recognize the importance of maintaining a good relationship with our employees. During the Track Record Period, we had not experienced any strike or significant problem with our employees or disruption to our operations due to labor disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff. We believe that we have a good working relationship with our employees.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, our Group did not have any registered trademark in China and has one registered domain name in China. See "Appendix VI — Statutory and General Information" to this prospectus for additional information.

Pursuant to the Trademark Licensing Agreement, Energy Investment Group agreed to grant to our Company and its subsidiaries a non-exclusive, transferrable and royalty-free license to use certain trademark containing "能投" and "Energy Investment" registered by Energy Investment Group in China and abroad from the date of the agreement until the relevant trademarks have been transferred from Energy Investment Group to us, our subsidiaries, affiliated companies or associated companies.

ENVIRONMENTAL MATTERS

We are subject to environmental laws and regulations in the PRC. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions, discharge of waste water and waste residues. We are required to obtain a permit from the relevant PRC governmental authorities and pass relevant environment assessments in order to operate our electricity generation, transmission and distribution facilities.

We consider the protection of the environment to be important. We believe that our production process does not generate environmental hazards and does not otherwise have a significant adverse effect on the environment. We believe that we are in compliance in all material respects with applicable environmental laws and regulation. As at the Latest Practicable Date, we are not currently involved in any material environmental claims, proceedings, penalties or administrative sanctions.

Our cost of compliance with environmental rules and regulations amounted to approximately RMB247,000, RMB204,000, nil and nil for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. Our Directors consider that the expected cost of compliance with applicable environmental rules and regulations for the year of 2018 would be about the same as that incurred during the Track Record Period.

HEALTH AND SAFETY MATTERS

We value the health and safety of our employees. We educate our employees at various levels and divisions through safety training sessions and demonstrations. Based on the industry characteristics and our own applicable conditions, we have emergency protocols in place to respond to, and cope with, emergency situations such as fires, and we have designated staff responsible for coordination in emergency situations. We believe that we are in compliance with applicable health and safety laws and regulations in all material respects, and have not experienced any material accidents in the course of our operations, except on July 12, 2015, one of our maintenance crew was electrocuted by accident when he was repairing an electric cable fault in a residential building of our power supply service area. The Pingshan County government formed an investigation team comprising various officials and concluded that while we bore certain responsibilities for inadequate safety management measures, the deceased lacked safety precaution and failed to conduct repair operations in accordance with the applicable regulations. The investigation team nevertheless imposed a one-time fine on us in the amount of RMB50,000, which has been fully paid. In addition, we made a total compensatory payment of RMB1.5 million in connection with safety accidents. Subsequently, we have (i) conducted an internal investigation and imposed various amounts of fines on responsible employees; (ii) strengthened our safety management measures, which include, among others, (A) implementing safety responsibility by clearly delineating responsibility at our Company, subsidiary and department levels and by establishing a safety production management system and operating rules; (B) conducting quarterly comprehensive and specific safety inspections of our operations and equipment to eliminate the occurrence of safety-related accidents; (C) standardizing our operations to reduce human errors and unsafe behaviors; and (D) seamless integration of our production technology and safety technology to refine our production process and ensure our continuous operation; and (iii) increased our efforts to provide safety educational training to our maintenance and repair crew and instituted our requirement that employees who have not completed their safety training and who did not pass safety education and training assessment are not permitted to go on duly. For further details of the risks associated with such accidents, please see the section headed "Risk Factors — Risks Relating to Our Business — Our assets and operations are subject to hazards and/or accidents that are customary to the power industry, and our operations may be vulnerable to disruptions caused by natural and/or man-made disasters and accidents, and we may not have adequate insurance to cover all these hazards or accidents" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we have not been subject to any material claims for personal or property damages or for health or safety related compensation from our employees.

PROPERTIES

We occupy certain properties in the PRC for our business operations. As of the Latest Practicable Date, we occupied 213 parcels of land in the PRC (excluding leased properties) with a total gross site area of approximately 2,329,086.33 sq.m. and occupied 401 buildings (excluding leased properties) with a total gross floor area of approximately 151,451.83 sq.m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of the Latest Practicable Date, each of our owned properties had a carrying amount of less than 15% of our total assets. As a result, this prospectus is exempt from compliance with the requirements of Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. Furthermore, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land and buildings.

As of the Latest Practicable Date, we also leased 39 parcels of land with a total site area of approximately 130,642.43 sq.m. and 55 buildings with a total gross floor area of approximately 12,700.49 sq.m.

Owned Properties

Land

As of the Latest Practicable Date, we occupied 213 parcels of land in the PRC (excluding leased properties) with a total gross site area of approximately 2,329,086.33 sq.m., among which, (i) we owned (A) the land use rights of 70 parcels of land obtained by way of transfer with a total gross site area of approximately 563,136.57 sq.m., and (B) the land use rights of 134 parcels of land by government reservation and allocation with a total gross site are of approximately 1,749,509.38 sq.m.; and (ii) we were in the process of obtaining the relevant land use rights of nine parcels of land that either by way of transfer or government reservation and allocation, with a total gross site area of approximately 16,440.38 sq.m., which accounted for approximately 0.67% of the total site area of the lands occupied and used by us.

With respect to the nine parcels of land whose land use rights were in the process of being obtained by us as of the Latest Practicable Date, these title defects were primarily caused by complex administrative approval procedures, which usually requires a relatively long waiting period. These parcels of land were used primarily for the office purposes. As advised by our PRC Legal Advisors, for these parcels of land for which we are currently in the process of obtaining the relevant land use right certificates, we do not have the right to dispose, transfer or mortgage these properties in accordance with applicable PRC laws and regulations. Our Directors are of the view that these title defects will not materially and adversely affect our operations due to the following: (i) we have obtained the confirmations from the relevant government authorities that we were permitted to use such parcels of land in accordance with existing land usage requirements before obtaining the relevant land use right certificates, and we will not be subject to any administrative penalties or administrative measure for not being able to obtain the relevant land use right certificates, and there is no legal impediment for us to obtain the relevant land use right certificates, provided that the relevant procedures are conducted; and (ii) Hydropower Group, one of our Controlling Shareholders, has undertaken to us that it will indemnify us against any losses, claims, charges or expenses arising from our failure to obtain the outstanding land use right certificates. Our PRC Legal Advisors have confirmed that the above undertaking given by Hydropower Group is legally binding and enforceable; and (iii) our PRC Legal Advisors have also confirmed that based on the confirmation issued by the above relevant authorities and the undertaking issued by our Controlling Shareholder, there is no material legal impediment for us to obtain the relevant land use right certificates and that we may continue to use such parcels of land and will not be subject to any material penalties by the relevant government authorities.

Buildings

As of the Latest Practicable Date, we occupied 401 buildings (excluding leased properties) with a total gross floor area of approximately 151,451.83 sq.m., among which (i) we have obtain the relevant building ownership certificates with respect to 392 buildings with a total gross floor area of approximately 148,236.94 sq.m.; and (ii) we were in the process of obtaining the relevant building ownership certificates with respect to nine buildings with a total gross floor area of approximately 3,214.89 sq.m., representing approximately 1.96% of the total gross floor area of the buildings we occupied and used. These buildings were used primarily for office purposes. We did not obtain the relevant building ownership certificates, mainly because (i) we did not complete the transfer procedures for these buildings; (ii) certain of the idle buildings were defined as decrepit; and (iii) certain of the buildings did not pass the quality acceptance check. Our PRC Legal Advisors have advised that the potential legal risks for not having proper building ownership certificates may include suspension of construction, fines, demolishment or confiscation of the structure. Our PRC Legal Advisors have also advised us that, for these buildings for which we are currently in the process of obtaining the relevant building ownership certificates, we do not have the right to dispose, transfer or mortgage these properties in accordance with applicable PRC laws and regulations. Our Directors are of the view that these title defects will not materially and adversely affect our operations because (i) we have obtained the confirmation issued by the relevant government authorities that the we are permitted to use such buildings before obtaining the relevant building ownership certificates, and will not be subject to any administrative penalties or administrative measure for not being able to obtain the relevant building ownership certificates, and there is no legal impediment for us to obtain the relevant building ownership certificates provided that relevant procedures are conducted; (ii) Hydropower Group, one of our Controlling Shareholders, has undertaken to us that it will indemnify us against any losses, claims, charges or expenses arising from our failure to obtain the outstanding building ownership certificates; and (iii) our PRC Legal Advisors have confirmed that there is no material legal impediment for us to obtain the relevant building ownership certificates and that such title defects will not materially and adversely affect our operations based on (i) the confirmation issued by the above relevant authorities and the undertaking issued by our Controlling Shareholder; and (ii) the total gross floor area of the buildings not having proper building ownership certificates represented a small proportion of the total gross floor area of all of the buildings we occupied as of the Latest Practicable Date. We engaged qualified independent engineering quality inspection companies in May 2016 and December 2017 to conduct appraisals regarding the safety of the buildings that did not have the relevant building ownership certificates. Such qualified independent engineering quality inspection companies issued inspection reports in May 2016 and December 2017 that, in terms of building structure, nine of those buildings inspected can be put into use safely. One of the buildings with a gross floor area of 57.39 sq.m. that was inspected and that was used for office purposes was deemed by the inspection company to be unsafe. As of the Latest Practicable Date, we have ceased using this building, which had been recovered by the local government. Because this building was used for office purposes and had a limited size, we are of the view that our ceasing to use such building will not materially and adversely impact our business and operations.

We will use our best efforts to promptly obtain required building ownership certificates. However, in the event we are not able to obtain the relevant building ownership certificates for these nine buildings, we may be forced to relocate and may incur additional relocation expenses, which we believe would not have a material impact on our business or financial condition because we believe we will be able to find a suitable replacement, complete the relocation within two to three months and we estimate that the total cost and expenses for relocating these offices located on these buildings will be immaterial.

Leased Properties

Land

As of the Latest Practicable Date, we leased 39 parcels of land with a total site area of approximately 130,642.43 sq.m. In these leasehold parcels of land, the site area used for collective construction in rural area was approximately 130,273.89 sq.m. For such parcels of land, we or our subsidiaries have signed the land use contracts for a term of 20 years in accordance with relevant laws and regulations. In addition, we or our subsidiaries have obtained the confirmation in relation to such parcels of land from the relevant People's governments at county level, which approved the rural power grid construction on the relevant parcels of land within the ranges and terms as stipulated in the land use contracts.

Buildings

As of the Latest Practicable Date, we leased 55 properties with a total gross floor area of approximately 12,700.49 sq.m., of which 12 buildings with a total gross floor area of approximately 9,030.39 sq.m. had the relevant building ownership certificates, and the remaining 43 buildings with a total gross floor area of approximately 3,670.10 sq.m. did not have the relevant building ownership certificates and used, representing approximately 2.24% of the total gross floor area of the buildings we occupied. As of the Latest Practicable Date, we have not received any material notice or complaint with respect to the safety conditions of these buildings. Accordingly, our Directors are of the view that these 43 buildings are in safe conditions.

According to our PRC Legal Advisors, in the event such landlord does not have valid building ownership certificates, the relevant lease agreements may be deemed invalid or we may face challenges from property owners or other third parties to the lessor's rights. If this occurs, we may be forced to relocate the affected premises and incur additional expenses. Please see the section headed "Risk Factors — Risks Relating Our Business — We or our landlords do not possess the land use rights certificates or building ownership certificates in certain land and buildings owned or leased by us" in this prospectus for further details. As of the Latest Practicable Date, we were not aware of any actions, claims or investigations being contemplated by any third party with respect to possible defects in our leased properties. We have urged our landlord to obtain a valid building ownership certificate for such property. Our Directors believe that in the event we are required to vacate the relevant premises and relocate, a suitable replacement can be timely identified and we would not incur any significant relocation expenses. Our Directors believe that our use of these 43 leased buildings with title defects will not materially adversely affect our business operations because (i) in the event we are required to vacate the relevant buildings and relocate, we believe we will be able to find suitable replacement buildings in a timely manner and we based on the information currently available to us and taking into account the time required for relocation, would not incur any significant relocation expenses; and (ii) Hydropower Group has undertaken to us that it will indemnify us against any losses, claims, charges or expenses arising from our failure to obtain the relevant building ownership certificates.

In addition, all relevant lease agreements we have entered into with our landlords were not registered with relevant PRC government authorities. Our PRC Legal Advisors have advised us that we may be required by the relevant PRC authorities to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease. Accordingly, the maximum penalty for failure to register the relevant lease agreements would be RMB550,000 for 55 such lease agreements. However, as of the Latest Practicable Date, we have not been fined by the relevant PRC authorities with respect to these non-registered leases, and our PRC Legal Advisors has advised us that the non-registration of such lease agreements would not affect their validity.

INSURANCE

We currently maintain property insurance for our hydropower plants, transformer substations and transmission and distribution lines. In the PRC, we are faced with limitations on the amounts and types of insurance commercially available to us to cover losses that may arise in connection with our business operations. Consistent with what we believe to be the industry practice in China, our hydropower plants do not carry business interruption insurance to cover any lost profit cause by business interruption. In addition, we have maintained power grid property insurance, power supply liability insurance and employer's liability insurance during the Track Record Period, and we will continue to maintain such insurance in the future.

As confirmed by our PRC Legal Advisors, we are not required under PRC laws and regulations to maintain any compulsory third-party liability insurance for our products or business liability insurance. Further, we do not have any insurance coverage for losses arising from natural disasters. Our Directors believe that the insurance coverage is consistent with the industry practice in the PRC. During the Track Record Period, we did not experience any material liability claims from our customers arising from or relating to the use of our products or performance of our services.

LEGAL AND REGULATORY COMPLIANCE

Licensing Requirements

We conduct our business mainly in the PRC and are subject to its restrictions and regulatory requirements. Our Directors and our PRC Legal Advisors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant PRC regulatory requirements and guidelines in all material respects and have obtained all permits and licenses necessary for our operations in accordance with the PRC laws and regulations. These licenses include Electric Power Business License (Power Supply Category and Power Generation Category) (電力業務許可證(供電類及發電類)), Power Supply Business License (供電營業許可證) and License for Water Drawing for our power business, and Certification for Installation, Repair and Testing of Electric Power Facilities (承裝(修、試)電力設施許可證), Construction Enterprise Qualification Certificate (建築業企業資質證書) and Safety Production License (安全生產許可證) for our EECS business, and there is no legal impediment to renew such permits and licenses, provided that all substantive and procedural requirements under PRC laws, rules and regulations have been complied with by us. During the Track Record Period and up to the Latest Practicable Date, these licenses have not been suspended due to material non-compliance incidents or otherwise. To the best knowledge of our Directors, our Directors confirm that as of the Latest Practicable Date, we and our subsidiaries have obtained all material licenses required for their business activities.

The following table sets forth the details of the key licenses and permits we hold for our business operation:

License/Permit	Expiry Date	Issuing Authority
Electric Power Business License (Power Supply Category and/or Power Generation Category) (電力業務許可證(供電類和/或發電類))		
– *Our Company*	February 16, 2034 (for Power Supply Category)	Sichuan Energy Regulatory Office of the National Energy Administration (國家能源局四川監管辦公室)
– *Yibin Electricity*	March 29, 2027 (for Power Supply Category); November 29, 2028 (for Power Generation Category)	Sichuan Energy Regulatory Office of the National Energy Administrative (for Power Supply Category); State Electricity Regulatory Commission (國家電力監管委員會) (for Power Generation Category)
– *Xingwen Electricity*	May 30, 2027 (for Power Supply Category); January 28, 2028 (for Power Generation Category)	Sichuan Energy Regulatory Office of the National Energy Administration

License/Permit	Expiry Date	Issuing Authority
– *Pingshan Electricity*	May 30, 2027 (for Power Supply Category); November 29, 2028 (for Power Generation Category)	Sichuan Energy Regulatory Office of the National Energy Administration
– *Gong County Electricity*	April 29, 2027 (for Power Supply Category); June 29, 2027 (for Power Generation Category)	Sichuan Energy Regulatory Office of the National Energy Administration
– *Gao County Electricity*	May 30, 2027 (for Power Supply Category); September 24, 2027 (for Power Generation Category)	Sichuan Energy Regulatory Office of the National Energy Administration
– *Junlian Electricity*	June 29, 2027 (for Power Supply Category)	Sichuan Energy Regulatory Office of the National Energy Administration
– *Yangliutan Power Generation*	January 26, 2031 (for Power Generation Category)	State Electricity Regulatory Commission
– *Yuejiang Power Generation*	September 18, 2037 (for Power Generation Category)	Sichuan Energy Regulatory Office of the National Energy Administration
Power Supply Business License (供電營業許可證)		
– *Our Company*	November 2019	Sichuan Provincial Economic and Information Commission (四川省經濟和信息化委員會)
– *Yibin Electricity*	February 2021	Sichuan Provincial Economic and Information Commission
– *Xingwen Electricity*	February 2021	Sichuan Provincial Economic and Information Commission
– *Pingshan Electricity*	February 2021	Sichuan Provincial Economic and Information Commission
– *Gong County Electricity*	February 2021	Sichuan Provincial Economic and Information Commission
– *Gao County Electricity*	February 2021	Sichuan Provincial Economic and Information Commission
– *Junlian Electricity*	February 2021	Sichuan Provincial Economic and Information Commission

License/Permit	Expiry Date	Issuing Authority
License for Water Drawing (取水許可證)		
– *Yibin Electricity*	November 9, 2020	Yibin County Water Bureau
– *Xingwen Electricity*	September 6, 2022	Xingwen County Water Bureau
– *Pingshan Electricity*	December 31, 2019/ April 30, 2022	Pingshan County Water Bureau/Yibin City Water Bureau
– *Gong County Electricity*	July 16, 2020	Gong County Water Bureau
– *Gao County Electricity*	December 31, 2019/ January 8, 2022	Yibin City Water Bureau/ Gao County Water Bureau
– *Yangliutan Power Generation*	September 27, 2022	Changjiang Water Resources Commission of the Ministry of Water Resources (水利部長江水利委員會)
– *Yuejiang Power Generation*	October 24, 2020	Yibin City Water Bureau
Certification for Installation, Repair and Testing of Electric Power Facilities (承裝(修、試)電力設施許可證)		
– *Gong County Electricity*	July 23, 2024	Sichuan Energy Regulatory Office of the National Energy Administration
– *Electricity Engineering Construction*	April 7, 2022	Sichuan Energy Regulatory Office of the National Energy Administration
– *Yibin Electricity*	February 7, 2024	Sichuan Energy Regulatory Office of the National Energy Administration
Construction Enterprise Qualification Certificate (建築業企業資質證書)		
– *Yibin Electricity*	December 8, 2020/ December 30, 2020	Yibin City Housing and Urban Rural Construction Bureau (宜賓市住房和城鄉建設局)
– *Gong County Electricity*	May 30, 2021	Yibin City Housing Construction and Urban Management Bureau

License/Permit	Expiry Date	Issuing Authority
– *Electricity Engineering Construction*	September 9, 2021/April 4, 2023	Yibin City Housing Construction and Urban Management Bureau (宜賓市住房建設和城市管理局)/Yibin County Housing Construction and Urban Management Bureau (宜賓縣住房建設和城市管理局)
Safety Production Permit (安全生產許可證)		
– *Yibin Electricity*	November 6, 2020	Yibin City Housing and Urban Rural Construction Bureau
– *Gong County Electricity*	August 7, 2020	Sichuan Province Housing and Urban Rural Construction Bureau (四川省住房和城鄉建設廳)
– *Electricity Engineering Construction*	February 10, 2020	Sichuan Province Housing and Urban Rural Construction Bureau

To prevent the lapse of valid permits upon their expiration, we have implemented the following internal control measures: (i) our Company office shall be responsible for (A) providing guidance, inspection, supervision and management of its business licenses, permits and certificates; (B) supervising the application process, annual review, modification and cancellation of our Company's licenses, permits and certificates; and (C) establishing and improving our qualification and certification management system; (ii) our various business units shall be in charge of the application, annual review, modification and cancellation of the licenses, permits and certificates relating to their relevant businesses; (iii) our subsidiaries will be mainly responsible for the specific management of various licenses, permits and certificates they possess, including their application, annual review, modification, cancellation and custody; and (iv) our Company office, business units and subsidiaries and the relevant personnel shall strictly follow the guidelines and procedures in connection with the application, annual review and modification of our various business licenses, permits and certificates in order to eradicate any occurrence of postponement or delay of annual reviews and modifications.

Legal Proceedings

From time to time, we may be subject to various claims and legal actions arising in the ordinary course of business. On January 11, 2018, Qinglin Mining filed a lawsuit with Yibin Intermediate Court against Hydropower Group, us and one of our subsidiaries, Gong County Electricity (collectively, the "Co-defendants"), claiming that in the course of carrying out the rural power grid construction projects in the Construction Areas in 2015, the Co-defendants had infringed the mining rights of Qinglin Mining for certain minerals in the Construction

Areas. Specifically, Qinglin Mining alleged that certain clay minerals and sandstone ore located in the Construction Areas, which were subject to its mining rights in Maling County (麻嶺), were destroyed due to the construction of the power transmission and/or transformation projects conducted by the Co-defendants, including the construction of the transmission line column bases (塔基), which Qinglin Mining also alleged were on the mines that it has the mining rights over. Consequently, Qinglin Mining sought to obtain aggregate damages in the amount of approximately RMB39.6 million from the Co-defendants. As part of the rural power grid construction projects, Hydropower Group undertook these projects in the Construction Areas, in which Hydropower Group was the contractor and we and two of our subsidiaries, Xingwen Electricity and Gong County Electricity, managed the construction work on Hydropower Group's behalf. Gong Electricity was assisting Hydropower Group in coordinating with the implementation of the construction work. We and Gong County Electricity as well as Hydropower Group separately submitted applications for objection to jurisdiction. On February 11, 2018, Yibin Intermediate Court ruled against our and Hydropower Group's objection to jurisdiction. In February 2018, we and Gong County Electricity as well as Hydropower Group separately appealed against such decision to Sichuan Higher People's Court.

According to our special PRC litigation counsel, only two of the seven 110 kV transmission line column bases in connection with the case were located in Gong County. In addition, our Company was neither involved in project contracting, construction or implementation. Accordingly, as advised by our special PRC litigation counsel, even if the people's courts in Sichuan Province rule in favor of the plaintiff and against Gong County Electricity, because Gong County Electricity is a separate business entity under the laws of the PRC, our Company, as Gong County Electricity's parent company, does not have any further obligation to settle the damages for Gong County Electricity in connection with this case. Furthermore, our special PRC litigation counsel advised us that under the applicable PRC laws and regulations, the party ultimately responsible for any damages should be the original contracting party that is in charge of the relevant project construction, which, in this case, was Hydropower Group, instead of our Company or Gong County Electricity.

Based on the foregoing, our special PRC litigation counsel concluded us that (i) should the people's courts in Sichuan Province rule in favor of the plaintiff, the responsible party for paying the damages or compensations shall be Hydropower Group; and (ii) the likelihood that the people's courts in Sichuan Province would ultimately rule against us or Gong County Electricity for infringement of the mining rights of Qinglin Mining and order us or Gong County Electricity to pay for the damages or compensation is remote.

As advised by our special PRC litigation counsel, the unfavorable ruling made by Yibin Intermediate Court on February 11, 2018 against us and Gong County Electricity was related to our and Gong County Electricity's request for transferring the case to Chengdu Intermediate Court, which was not a ruling on the substantive facts of the case or an assumption of liability. The ruling by the Yibin Intermediate Court does not affect the above views of our special PRC litigation counsel set out in the paragraph immediately above.

On June 12, 2018, the Sichuan Higher People's Court upheld the original ruling by Yibin Intermediate Court. However, on June 26, 2018, Gong County Land and Resources Bureau issued public announcements, which stated that the mining licenses of Qinglin Mining with respect to the Construction Areas could be revoked due to Qinglin Mining's failure to make adequate payments for the relevant mining rights. According to the applicable PRC laws and regulations, publicity period is 10 working days, after which the relevant mining licenses will be revoked if no objection is received. Accordingly, we applied for the extension and suspension of the trial of the case with Yibin Intermediate Court. After examination, the court concluded that the infringement compensation issue of the case shall depend on the decision of the Gong County Land and Resources Bureau whether to revoke the relevant mining licenses held by Qinglin Mining. Therefore, on August 6, 2018, Yibin Intermediate Court ruled that the trial of the case shall be suspended pending the final outcome by the Gong County Land and Resources Bureau. Our special PRC litigation counsel advised us that if the mining licenses held by Qinglin Mining are revoked according to law, its basis for claiming infringement compensation will be lost, and the Sichuan Higher People's Court will be unlikely to rule in its favor. In addition, even if the people's courts in Sichuan Province determine that Qinglin Mining should be compensated, the party bearing the responsibility for the compensation liability should be Hydropower Group and that the risk that we and/or Gong County Electricity will be adjudicated to be liable for the infringement compensation by the people's courts in Sichuan Province is remote.

In addition, Hydropower Group has provided an undertaking in favor of our Company, pursuant to which it has undertaken to fully indemnify us and Gong County Electricity for all damages incurred in the event the people's courts in Sichuan Province ultimately adjudicate against us or Gong County Electricity for infringement of the mining rights of Qinglin Mining.

As advised by our special PRC litigation counsel and our PRC Legal Advisors, our Directors have confirmed that, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim is known to our Directors to be pending or threatened by or against us, that would, individually or in the aggregate, have a material adverse effect on our business, results of operations or financial condition.

With a view to strengthen the internal control procedures of our Group, we engaged an independent internal control consultant (the "Internal Control Consultant"). As recommended by the Internal Control Consultant, we have implemented the following enhanced internal control measure to prevent future recurrence of similar infringement when participating in new construction projects: (i) reviewing the relevant ownership certificates and/or conducting property ownership searches when preparing the feasibility report for each new construction project; and (ii) obtaining governmental authorities' approvals for any new construction projects, in particular, the reply from the local bureau of land and resources for any potential conflict with the mining rights of Independent Third Parties. The Internal Control Consultant performed a review over the rectification measures taken by our Group. The Internal Control Consultant raised no further recommendations.

Views of our Directors and the Sole Sponsor

Our Directors consider that such incident did not and will not have any material operational or financial impact on our operations and these non-compliances will not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability for listing of our Company under Rule 8.04 of the Listing Rules, for the following reasons:

(i) as advised by our special PRC litigation counsel, under the applicable PRC laws and regulations, the party ultimately responsible for any damages should be the original contracting party that is in charge of the relevant project construction, which, in the current case, was Hydropower Group, instead of us or Gong County Electricity. As such, our Directors shall not be held accountable for the occurrence of this litigation; and

(ii) in addition, we have obtained governmental approvals before assisting in the relevant construction projects, which, alone, did not give rise to any injuries, fatalities or industrial accidents. Moreover, the infringement case, which involves only a commercial dispute between us and Qinglin Mining, is being adjudicated in the people's courts in Sichuan Province as a civil matter rather than a criminal one. Accordingly, our Directors believe such incident did not constitute any non-compliance matter of our Group.

Having considered the views of our Directors, the advice of our special PRC litigation counsel, and taking into account of the fact that the Internal Control Consultant raised no further recommendations in connection with the enhanced internal controls measures in this regard, the Sole Sponsor concurs with the above views of our Directors.

Regulatory Non-compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in the PRC. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, except as disclosed below, there were no other material or systemic incidents of regulatory non-compliance.

The following table sets forth the details of the systemic non-compliance incidents of our Group during the Track Record Period.

Particulars of Non-compliance Incident	Legal Consequences	Status and Remedial Measures
Social insurance and housing provident fund contributions During the Track Record Period, we did not make full contributions to the social insurance schemes and the housing provident funds for our employees as required by the relevant PRC laws. As of June 30, 2018, we underpaid our social insurance contributions and housing provident contributions in the aggregate amount of approximately RMB5.9 million. *Reasons for non-compliance* Our human resources department made the relevant contributions for our employees according to its understanding of local general practice in regions where we have operations.	*Social insurance contribution* As advised by our PRC Legal Advisors, for our outstanding contributions prior to the coming into effect of the Social Insurance Law of the PRC on July 1, 2011, relevant authorities may require us to pay the outstanding amount within a prescribed time limit. If we fail to make the overdue contributions within such time limit, an additional late payment penalty at a daily rate of 0.2% of the outstanding amount may be imposed. For our outstanding contribution after July 1, 2011, relevant authorities may require us to pay the outstanding amount with an additional late payment penalty at a daily rate of 0.05% from the due date. If the outstanding contribution is not settled within the stipulated period, the social insurance authority may impose a fine equal to one to three times of the outstanding amount. Assuming the late payment penalty begins to accrue from the first month subsequent to the due date (January 1, 2015) until June 30, 2018, the maximum aggregate penalty we could be subject to would be approximately RMB2.8 million. *Housing provident fund contribution* As advised by our PRC Legal Advisors, in respect of our failure to pay adequate amount of housing provident fund for all employees in compliance with the applicable PRC laws, the relevant housing provident fund authority may require us to settle the outstanding contribution within a stipulated period. If the outstanding contribution is not settled within such period, the authority may apply for mandatory enforcement at the relevant courts.	The relevant social insurance administrative authority and housing provident funds administration authority have issued a confirmation to us that during the Track Record Period, there was no record of administrative penalties imposed on us due to violation of relevant national or municipal laws and regulations relating to social insurance contribution and housing provident fund contribution. Our Controlling Shareholders have agreed to indemnify us for all claims, costs, expenses and losses incurred by us arising from such non-compliance incidents that exceeds our provisions for the under-paid amount of social insurance contribution and housing provident fund contribution. As advised by our PRC Legal Advisors, the risk that we will be subject to administration penalties by the relevant government authorities for our failure to fully make social insurance contributions and housing provident fund contributions for all employees is remote based on the above confirmation from the relevant administrative authority. Accordingly, our Directors are of the view that no provision is necessary in respect of the social insurance and housing provident fund contributions. Since July 2017, we have strengthened our internal control by adjusting the payment base of social insurance and housing provident fund contribution in accordance with the relevant PRC laws and regulations in order to prevent the recurrence of such non-compliance incident.

Particulars of Non-compliance Incident	Legal Consequences	Status and Remedial Measures
The number of contract labor personnel During the Track Record Period, one of our subsidiaries, Gao County Electricity, employed 76 contract labor personnel, which exceeded the prescribed limit of 10% of its total number of employees as of December 31, 2017 as stipulated by the Interim Provisions of Contract Labor (《勞務派遣暫行規定》), which was promulgated by the Ministry of Human Resources and Social Security (人力資源和社會保障部) on December 20, 2013. *Reasons for non-compliance* When Gao County Electricity entered into two-year labor contracts with the relevant contract labor personnel on January 1, 2016, it had over 815 employees, so that the ratio of contract labor personnel to total number of employees was less than 10%. However, approximately 90 regular employees subsequently left their employment with us, which reduced the total number of employees to approximately 720. As a result of the foregoing, prior to the end of 2017, the ratio of contract labor personnel to total number of employees at Gao County Electricity was more than 10%.	According to the Interim Provisions of Contract Labor, the total number of contract labor personnel an enterprise can employ shall not exceed 10% of its total number of employees. According to the Labor Law, the labor administrative authority may require us to make rectification within a specified period of time; if we are not rectified within the specified period, a fine from RMB5,000 to RMB10,000 for each person may be imposed. The maximum penalty we could be subject to would be RMB40,000 in the event we fail to rectify the non-compliance within the stipulated time ordered by the relevant authorities	The labor contracts for approximately 62 of the 76 contract labor personnel expired at the end of 2017, subsequent to which, the ratio of contract labor personnel to the total number of employees of Gao County Electricity has been kept below the prescribed ratio as required by the Interim Provisions of Contract Labor. We did not renew the contracts of such labor personnel. As of the Latest Practicable Date, Gao County Electricity had a total of 557 employees, among which 54 employees were contract labor personnel. The ratio of the contract labor personnel to total number of employees was less than 10%. In order to prevent the recurrence of such non-compliance incident, we have enhanced our internal control by instructing all of our subsidiaries to strictly adhere to the requirements of the relevant laws and regulations. In addition, we require that all new hires of contract labor personnel shall be subject to the review and approval of our human resources department.

Particulars of Non-compliance Incident	Legal Consequences	Status and Remedial Measures
Compulsory Collection of prepayment for electricity from non-residential customers From October 2010 to May 2016 (the "Applicable Period"), Yibin Electricity, one of our subsidiaries, negotiated with certain end-users and entered into the relevant electricity settlement agreements with them. It collected compulsory prepayments for electricity from approximately 105 non-residential customers located in our power supply service area in Yibin City. The amount of prepayment per customer ranged from RMB500 to approximately RMB1.3 million, depending on the different electricity load of each user. Yibin Electricity collected an aggregate of approximately RMB6.8 million of compulsory prepayment during the Applicable Period, of which approximately RMB2.4 million, RMB1.7 million and nil was collected for the years ended December 31, 2015, 2016 and 2017, respectively, representing approximately 0.9%, 0.6% and nil, respectively, of our total revenue. On August 22, 2016, the Administration of Industry and Commerce of Yibin City issued a written decision to us on administrative penalty and determined that the compulsory collection of prepayments for electricity was in violation of the Anti-Unfair Competition Law of the PRC (《反不正當競爭法》) and the Provisions on the Prohibition of Competition by Public Enterprises (《關於禁止公用企業限制競爭行為的若干規定》). *Reasons for non-compliance* Historically, we collected compulsory prepayments from our customers in accordance with Interim Provisions on the Implementation of Power Tariffs, Electricity Meter Deposit System (《實行電費、電表保證金制度的暫行規定》). After the system was terminated, the compulsory collection of prepayments for electricity was deemed in violation of the relevant laws and regulations. Yibin Electricity did not cease the practice in a timely manner due to its failure to check and follow the updates of the relevant laws and regulations.	According to the applicable laws and regulations, the Administration of Industry and Commerce of Yibin City imposed a fine of RMB150,000 on Yibin Electricity, which was payable within 15 days from the date of the written decision. If the fine was not paid on time, the administration could impose an additional 3% of the total amount of initial fine against Pingshan Electricity, and may petition the relevant people's courts to enforce payment.	In September 2016, Yibin Electricity made the requisite payment for the fine in a timely manner in accordance with the written decision. In addition, in order to prevent the recurrence of such non-compliance, we issued a company-wide notice on August 30, 2016 to further standardize the management of prepayment for electricity. Pursuant to the notice, we were required to amend the terms of the existing electricity settlement agreements for all affected customers that the prepayments for electricity made by our customers would be subject to a monthly deduction and refund based on the actual amount of electricity consumed and would be settled on a rolling basis. Furthermore, the notice stipulated that new customers who are subject to electricity prepayment arrangement will enter into new settlement agreements with us reflecting the new electricity prepayment settlement mechanism as stated above. We have also conducted inspections on certain of our subsidiaries to ensure compliance with the relevant laws and regulations.

INTERNAL CONTROL AND RISK MANAGEMENT

We have designed and adopted a comprehensive internal control system to help us achieve the following key objectives: (i) ensure our operational management is in compliance with the relevant laws and regulations; (ii) guarantee the safety of our assets; (iii) ensure the accuracy and completeness of our financial reporting and related information; (iv) improve our operational efficiency; and (v) promote and further advance our development strategies.

We have also engaged the Internal Control Consultant to conduct an evaluation of our internal control system in connection with the Listing, including a review of the rectification measures taken by our Group in connection with the historical systemic non-compliance incidents described in the section headed "— Legal and Regulatory Compliance — Regulatory Non-Compliance" in this prospectus. On March 31, 2018, the Internal Control Consultant concluded a follow-on review of our internal control system and determined that the rectification measures taken by us in connection with certain of our historical systemic non-compliance incidents have been implemented. The internal controls review was conducted based on information provided by our Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken and the Internal Control Consultant made a number of recommendations. Specifically, we have adopted the following internal control measures to bolster the coverage and effectiveness of our internal control system:

- *Related party transactions*: We have established a deliberation system for our potential transactions with related parties in which our financial department is responsible for summarizing potential transactions and reporting them to management for decision. In addition, our Directors and senior management are responsible for assessing the risk of embezzlement by related parties. Our Independent Directors and Supervisors are responsible for inspecting the capital transactions between our Company and our related parties regularly to ensure no embezzlement has occurred;

- *External guarantee*: Our external guarantees are monitored by our Board of Directors in accordance with our deliberate internal policies, including reviewing and assessing the relevant guarantees' financial condition, operation, industry prospect and creditability. Our Independent Directors will also give independent opinions on guarantee matters for our Board's reference;

- *Major investments*: We have adopted deliberation and approval policies and procedures for our potential major investments. We intend to designate specialized professional agents to evaluate the feasibility, investment risk, return on investment and other issues about our major investment projects and to monitor the implementation of our major investment projects. Any abnormal finding will be timely reported to our Board. In addition, our Board is responsible for reviewing the performance of each investment on a regular basis;

- *Management of our subsidiaries*: We have established policies and procedures for managing our subsidiaries, which are expected to establish their own internal control system. Our management on subsidiaries include, among other things, specifying the responsibilities of directors and senior management of our subsidiaries and regularly obtaining and analyzing the quarterly or monthly reports of our subsidiaries; and

- *Internal control inspection and disclosure*: Our audit department regularly reviews the effectiveness and efficiency of the implementation of our internal control policies and procedures and is responsible for putting forward improvement proposals and submitting the audit report to our audit committee and the Board of Directors for review and supervision.

In addition, we are exposed to various risks in the operations of our business and we believe that risk management is important to our success. To properly manage the risks in the operation of our business and to ensure the compliance of our daily operational activities, we have set up a risk control committee of our Board, which is composed of a chairman, Mr. Fan Wei, our independent non-executive Director, and two members, Ms. Li Yu, our non-executive Director, and Mr. Kin Kwong Kwok Gary, our independent non-executive Director. The risk control committee is responsible for (i) establishing risk management policies; (ii) periodically assessing risk level and management status, and evaluating the working procedures and results of our internal audit department; (iii) providing suggestions to improve our risk management and internal control; (iv) monitoring our senior management in terms of risk management on credit, market and operations; and (v) ensuring our compliance with relevant Listing Rules. We also have established the following risk management measures in various aspects of our business operations:

- *Financial reporting and asset management*: We have adopted a set of accounting policies and procedures in connection with our financial reporting risk management and our finance department is responsible for overseeing the financial reporting and internal control procedures. Our finance department is also responsible for approving and reviewing our bank account activities. Our Board of Directors approves the annual budget prepared by our financial department. As of June 30, 2018, our accounting department consisted of 62 employees. It is headed by our chief financial officer, Ms. Li Bi, who has more than 18 years of experience in financial reporting;

- *Procuring and sales control*: All of our procurements are subject to approvals. Our in-house legal team is responsible for drafting our purchase contracts and reviews all the purchase and sales agreements we enter into with our suppliers. Our material management department is responsible for our procurement, including making procuring plans, selecting suppliers and examining purchased goods and materials. Our marketing department is responsible for our sales and will prepare and submit annual marketing plan for our Board to approve;

- *Fixed assets management*: Our production technology department and integrated management department is responsible for general matters relating to our fixed assets, including optimizing our administrative procurement system, examining acquisition, sales and transfer of assets, and inspecting and advising on asset maintenance, management and usage. We also maintain insurance coverage on our fixed assets, which we believe is in line with industry practice in the PRC power industry; and

- *Project management*: Our investment and development department is responsible for preparing project feasibility study reports for our Board and external professionals to review to ensure all of our projects are in compliance with the relevant laws and regulations. In addition, our construction management department is responsible for the entire process of the power construction projects by controlling the safety, quality, progress and cost.

Having considered (i) the nature and reasons for these historical non-compliance incidents; (ii) the relevant advice from our PRC Legal Advisors; and (iii) the specific enhanced internal control measures adopted by our Group, our Directors are of the view that: (i) our internal control measures are adequate and will be effective to prevent recurrence of similar non-compliance incidents in the future; and (ii) the past non-compliance incidents do not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules. In addition, after making enquiries with our management, reviewing our enhanced internal control procedures and discussing with the Internal Control Consultant regarding our internal control system and the implementation of our remedial measures, the Sole Sponsor is not aware of any reasons to disagree with our Directors' view that our enhanced internal control measures are adequate and will be effective under the Listing Rules.

Anti-corruption and Anti-bribery Risk Management

We also have in place several anti-corruption/anti-bribery guidelines to safeguard against any corruption within our Company. The guidelines elaborate potential corruption conducts and our measures. In addition, in order to comply with our anti-corruption/anti-bribery obligations under applicable laws and regulations, we have established a series of internal policies, measures and procedures through which we have set up a reporting mechanism via phone calls, websites and e-mail, as well as relevant investigation procedures, to facilitate the implementation of our anti-corruption/anti-bribery measures and procedures.

CONNECTED PERSONS

Pursuant to Rule 14A.07(1) and (4) of the Listing Rules, each of our Controlling Shareholders and their associates will be treated as connected persons of our Company. Accordingly, the transactions between our Group and our Controlling Shareholders or their associates will constitute connected transactions or continuing connected transactions for our Company upon Listing pursuant to Chapter 14A of the Listing Rules. Details of such connected transactions or continuing connected transactions are set out below.

CONTINUING CONNECTED TRANSACTIONS

Exempt Continuing Connected Transactions

Supply of Electricity

We have been supplying electricity in our ordinary and usual course of business to the public in Yibin City, Sichuan Province, which also includes our connected persons (such as associates of our Controlling Shareholders). We expect that we will continue to supply electricity to our connected persons after Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

Our supply of electricity to our connected persons are conducted in our ordinary and usual course of business and on normal commercial terms that are comparable to or no more favorable than those provided to Independent Third Parties. Therefore, pursuant to Rule 14A.97 of the Listing Rules, these continuing connected transactions, namely selling of consumer goods and services, will be fully exempt from reporting, annual review, disclosure and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Construction Management Service Agreement

On January 25, 2016, our Company entered into a construction management service agreement with Sichuan Jinhesheng Investment Co., Ltd.* (四川金禾盛投資有限公司), ("Sichuan Jinhesheng"), pursuant to which Sichuan Jinhesheng provided construction management services to us for the construction of a centralized power dispatch control center. Sichuan Jinhesheng is mainly engaged in project investment, real estate development and property management. Since Sichuan Jinhesheng is a subsidiary of Hydropower Group, Sichuan Jinhesheng will be a connected person of our Company upon the Listing. We expect that Sichuan Jinhesheng will continue to provide the construction management services to our Company after Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules, until the completion of the construction of the main project of such power dispatch control center by the end of 2018. For the three years ended December 31, 2015, 2016 and 2017 and the six months ended 30 June 2018, the historical transaction amount for the construction management services amounted to nil, RMB2,253,601, RMB2,598,000 and nil, respectively. Taking into account (i) the historical transaction amounts;

(ii) that Sichuan Jinhesheng delivered more services during the earlier stage of the construction, such as project set-up or governmental approval, which will decrease as the project progresses; and (iii) that such construction management services is scheduled to be completed by the end of 2018, our Directors expect that the annual transaction amount for the construction management services agreement will be less than RMB2,000,000 for the year ending December 31, 2018.

The construction management service provided by Sichuan Jinhesheng to us is conducted on normal commercial terms that are comparable to or no less favorable than those offered by Independent Third Parties. As our Directors currently expect the transactions amount will be less than HK$3,000,000 on an annual basis, and each of the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules in respect of the transactions on an annual basis thereunder is less than 5%, the transactions under such construction management service agreement constitute *de minimis* continuing connected transactions under Rule 14A.76 of the Listing Rules, and thus will be fully exempt from the reporting, annual review, disclosure and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Property Management Agreement

On January 1, 2017, in August 2017 and in January 2018, our Group entered into a property management agreement and supplemental agreements, with Sichuan Province Hydropower Group Baishiji Property Management Co., Ltd.* (四川省水電集團百事吉物業管理有限公司) ("Baishiji"), pursuant to which, Baishiji agreed to provide property management services including offices cleaning, security and facilities inspection and maintenance to our Group. Baishiji is mainly engaged in property management and maintenance. Since Baishiji is a wholly-owned subsidiary of Hydropower Group, it will be a connected person of our Company upon the Listing. We expect that Baishiji will continue to provide property management services to our Group after the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules. The term of the property management agreement and its supplemental agreements is three years commencing from the Listing Date and renewable for another three years upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions. For each of the three years ended December 31, 2015, 2016 and 2017 and the six months ended 30 June 2018, the historical transaction amount for the property management services amounted to approximately RMB1,163,000, RMB2,271,000, RMB2,073,000 and RMB1,069,000, respectively. Taking into account the historical transaction amounts, our Directors expect that the annual transaction amount for the property management agreement and its supplemental agreements will be less than RMB2,300,000 for the three years ending December 31, 2018, 2019 and 2020, respectively.

The property management services provided by Baishiji to us are on normal commercial terms that are comparable to or no less favorable than those provided by Independent Third Parties. As our Directors currently expect the transactions amount will be less than HK$3,000,000 on an annual basis and each of the applicable percentage ratios (other than the profits ratio) under Chapter 14A of the Listing Rules in respect of the transactions thereunder on an annual basis is less than 5%, the transactions under such property management agreement and its supplemental agreements constitute *de minimis* continuing connected transactions under Rule 14A.76 of the Listing Rules, and thus will be fully exempt from the reporting, annual review, disclosure and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Counter-guarantee Provided by Sichuan Jinding

On January 17, 2017, our Company entered into a fund establishment agreement for the establishment of Jinding Fund and a subscription agreement, pursuant to which our Company, in the capacity as a limited partner, agreed to contribute RMB100,000,000 in the Jinding Fund. Jinding Fund principally invests in clean energy projects and upstream and downstream supporting projects in Sichuan Province and its surrounding areas, subject to the PRC laws and regulations. As at the Latest Practicable Date, our Company had settled the contribution of RMB100,000,000 and held approximately 9.09% interest in the Jinding Fund (based on actual contribution made). Our Company will gain a minimum annual yield of 8.0%, which is guaranteed by Sichuan Jinding Fund Management, another limited partner of Jinding Fund which is an associate of Hydropower Group and thus constitutes a connected person to our Company. The investment period is no less than three years but not exceeding five years.

As at the Latest Practicable Date, Bohai Trust, one of the limited partners, held approximately 54.54% in the Jinding Fund and Bohai Trust required all the other three limited partners, namely the Company, Sichuan Jinding and Sichuan Guangan AAA Public Co., Ltd* (四川廣安愛眾股份有限公司) to provide difference top-up undertaking in favour of Bohai Trust. Such three limited partners equally partitioned such difference top-up undertaking in favour of Bohai Trust. Accordingly, we provided a difference top-up undertaking relating to the principal contributed by Bohai Trust in the Jinding Fund and its investment returns in the event of a loss or a failure to obtain expected investment returns. The maximum liability which may arise from our difference top-up undertaking in favor of Bohai Trust is RMB240,200,000, the sum of (i) the principal of RMB200,000,000 and (ii) Bohai Trust's expected annual investment return, being RMB40,200,000, which is calculated based on the principal multiplied by the annual interest return of 6.7% with investment term of 3 years. Bohai Trust is an Independent Third Party and is also one of the limited partners of the Jinding Fund. Thus, such difference top-up undertaking provided by our Company in favour of Bohai Trust would not constitute a connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing. On the same date, Sichuan Jinding issued a counter-guarantee undertaking in favour of our Company, pursuant to which Sichuan Jinding agreed to irrevocably provide counter-guarantee to our Company's difference top-up undertaking in favour of Bohai Fund. Our Directors are of the view that the potential risk exposure of our Company's difference top-up undertaking in favour of Bohai Trust has been mitigated by the counter-guarantee provided by Sichuan Jinding.

Since Sichuan Jinding is held by Hydropower Group as to approximately 35.39%, it is an associate of Hydropower Group and therefore will be a connected person of our Company upon the Listing. We expect that Sichuan Jinding will continue to provide such counter-guarantee to our Company upon Listing, which will constitute financial assistance to us under Chapter 14A of the Listing Rules. The counter-guarantee provided by Sichuan Jinding is on normal commercial terms or better to our Group and is not secured by any of our assets. Pursuant to Rule 14A.90 of the Listing Rules, such transaction will be fully exempt from the reporting, annual review, disclosure and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Trademark License Agreement

On September 6, 2017, our Company entered into the Trademark License Agreement with Energy Investment Group, our Controlling Shareholder, pursuant to which, Energy Investment Group agreed to grant to us a non-exclusive license to use certain trademarks owned by Energy Investment Group at nil consideration. For further details of the licensed trademarks, please see the paragraph headed "3. Further information about the business — B. Our intellectual property rights — (a) Trademarks" in Appendix VI to this prospectus. For the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, no licensing fee was paid by our Group to Hydropower Group for the use of certain trademarks owned by Hydropower Group.

The term of the Trademark License Agreement is three years commencing from the Listing Date and is renewable by either party for another three years upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions. Such transaction will be fully exempt from the reporting, annual review, disclosure and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Non-Exempt Continuing Connected Transactions

Non-exempt continuing connected transactions subject to announcement, reporting and annual review requirements

As each of the applicable percentage ratios (other than the profits ratio) calculated pursuant to Chapter 14 and Chapter 14A of the Listing Rule is, on an annual basis, more than 0.1% and less than 5%, by virtue of Rule 14A.76(2) of the Listing Rules, the following transactions will, upon Listing, constitute continuing connected transactions for our Company subject to reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements stipulated under the Listing Rules.

Rural Power Grid Assets Management and Maintenance Agreement

Principal Terms

On November 23, 2018, our Company entered into a rural power grid assets management and maintenance agreement with Hydropower Group, pursuant to which we agreed to provide management and maintenance service for the Excluded Rural Power Grid Projects in the Seven Counties and Districts to Hydropower Group (the "Rural Power Grid Assets Management and Maintenance Agreement").

The term of the Rural Power Grid Assets Management and Maintenance Agreement is three years commencing from the Listing Date and renewable for another three years upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

Reasons for the Transaction

Hydropower Group authorized us to manage and maintain the Excluded Rural Power Grid Projects because we are familiar with electricity demand and power grid operation in the Seven Counties and Districts.

Pricing

Pursuant to the Rural Power Grid Assets Management and Maintenance Agreement, the annual service fees payable by Hydropower Group to our Company for the provision of management and maintenance services shall be determined based on arms' length negotiation between the parties by reference to the cost standards stipulated under the Cost Standards of Overhaul, Maintenance, Operation and Management for Power Grid and Generation of Electric Power Companies in Sichuan (Chuan Dian Caiwu [2010] No. 29)* (《四川省電力公司電網及發電檢修運維和運營管理成本標準》(川電財務[2010]29號)), subject to PRC regulations and policies issued by the PRC government from time to time, details of which are set out below:

Type of Assets		**Unit Cost Standard**
Transformer substations *(RMB/MVA)*	35 kV transformer substations	6,452
	110 kV transformer substations	2,875
Power supply lines *(RMB/km)*	35 kV power transformation lines	3,637
	110 kV power transformation lines	4,704
Power distribution networks *(RMB/km)*	10 kV power distribution networks	1,053

Historical Figures

For the three years ended December 31, 2015, 2016 and 2017 and the six months ended 30 June 2018, no service fees were paid by Hydropower Group to our Company for provision of management and maintenance services of the Excluded Rural Power Grid Projects, primarily because the majority of the Excluded Rural Power Grid Projects were still under construction or testing and no substantial management and maintenance was needed during the Track Record Period.

Annual Caps

The estimated annual caps for the transactions contemplated under the Rural Power Grid Assets Management and Maintenance Agreement for each of the three years ending December 31, 2020 are as follows:

	Annual caps for the year ending December 31,		
	2018	2019	2020
	(RMB)	(RMB)	(RMB)
Total	520,000[(Note)]	11,200,000	13,300,000

Note: The Rural Power Grid Assets Management and Maintenance Agreement will take effect upon the Listing.

Our Company expects that the majority of the Excluded Rural Power Grid Projects would be completed and put into use after 2018, thus, we consider it would be in the interest of our Company and its Shareholders as a whole to charge fees under the Rural Power Grid Assets Management and Maintenance Agreement after the Listing. The annual caps were determined based on (i) the expected total capacity of the transformer substations under operation; and (ii) the expected total length of power supply lines and distribution networks under operation, assuming that the Excluded Rural Power Grid Projects which are currently under construction are completed and put into use for the relevant year according to the expected construction schedule of the Excluded Rural Power Grid Projects. Further, as the majority of the Excluded Rural Power Grid Projects are expected to be completed and put into use after 2018, the annual caps for the year of 2019 and 2020 will increase substantially against that of 2018.

Rural Power Grid Assets Usage Agreement

Principal Terms

On November 23, 2018, our Company entered into a rural power grid assets usage agreement with Hydropower Group, pursuant to which we have the rights to use the Excluded Rural Power Grid Projects (the "Rural Power Grid Assets Usage Agreement").

The term of the Rural Power Grid Assets Usage Agreement is three years from the Listing Date and renewable for another three years upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

Reasons for the Transaction

As the Excluded Rural Power Grid Projects are located in the Seven Counties and Districts as policy-directed projects for the benefits of people (惠民工程) while we are the only authorized regional power supplier in the designated statutory area that covers the Seven Counties and Districts and certain of the surrounding areas, our Company currently uses the Excluded Rural Power Grid Projects from time to time after certain part of the Excluded Rural Power Grid Projects are completed and connected to our power grid.

Pricing

Pursuant to the Rural Power Grid Assets Usage Agreement, the annual usage fees payable by our Company to Hydropower Group shall be the volume of our electricity passing through the Excluded Rural Power Grid Projects multiplied by the unit usage price, being RMB0.0853/kWh, as recommended in the Power Grid Report.

The formula for calculation of the per kWh usage price is set out below:

RMB0.4453/kWh[(1)] x 19.15%[(2)] = RMB0.0853/kWh

Notes:

(1) RMB0.4453/kWh refers to the price standards of electricity transmission and distribution in Sichuan Province under the Notice on the Price of Electricity Transmission and Distribution of Sichuan Grid for the Years from 2017 to 2019 and the Relevant Matters (Chuan Fagai Jiage [2017] No. 378)* (關於四川電網2017-2019年輸配電價及有關事項的通知(川發改價格[2017]378號)), with reference to the average unit cost of power supply of electricity companies in Sichuan Province, considering the factors including depreciation costs and the operation costs, plus certain profit margin.

(2) 19.15% refers to the estimated per kWh depreciation rate of the Excluded Rural Power Grid Projects arrived at with our depreciation costs divided by our total costs for power supply.

The per kWh usage price is subject to PRC regulations and policies issued by the government from time to time. This is the first time that such price standards have been promulgated in Sichuan Province, and we are not in the position to anticipate when and how that such standards will be updated.

Historical Figures

For the three years ended December 31, 2015, 2016 and 2017 and the six months ended 30 June 2018, no usage fees were paid by our Company to Hydropower Group for the usage of the Excluded Rural Power Grid Projects, primarily because the majority of the Excluded Rural Power Grid Projects were still under construction or testing and have not been put to use during the Track Record Period.

Annual Caps

The estimated annual caps for the transactions contemplated under the Rural Power Grid Assets Usage Agreement for each of the three years ending December 31, 2020 are as follows:

	Annual caps for the year ending December 31,		
	2018	**2019**	**2020**
	(RMB)	**(RMB)**	**(RMB)**
Total	570,000(Note)	13,300,000	17,000,000

Note: The Rural Power Grid Assets Usage Agreement will take effect upon the Listing.

The annual caps were determined based on the expected electricity volume passing through the Excluded Rural Power Grid Projects assuming that the relevant parts of the Excluded Rural Power Grid Projects which are currently under construction are completed and put into use for the relevant year according to the expected construction schedule of the Excluded Rural Power Grid Projects, and the increase in annual caps is also in line with the increase in proposed investment in the construction of the Excluded Rural Power Grid Projects for the three years ending 31 December 2020. Our Company expects that the majority of the Excluded Rural Power Grid Projects would be constructed and put into use after 2018, accordingly, the annual caps for the year of 2019 and 2020 will increase substantially against that of 2018.

Master Products Purchase Agreement

Principal Terms

On November 23, 2018, our Company entered into a master products purchase agreement with Sichuan Energy Investment Material Industry Group Co., Ltd.* (四川能投物資產業集團有限公司) ("Material Industry"), pursuant to which our Company agreed to purchase electric related equipment and materials from Material Industry or its subsidiaries (the "Master Products Purchase Agreement"). Material Industry is a trading company. Since Material Industry is wholly-owned by Energy Investment Group, Material Industry is an associate of Energy Investment Group and therefore will be a connected person of our Company upon the Listing. We expect that we will continue to purchase electric related equipment and materials from Material Industry after Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

The term of the Master Products Purchase Agreement is three years from the Listing Date and renewable upon expiry, subject to compliance with the provisions under the Listing Rules regarding continuing connected transactions.

Reasons for the Transaction

In order to ensure timely delivery and quality of electric related equipment and materials sourced from external suppliers, we will continue to procure from reliable suppliers. As Material Industry has so far been a reliable supplier of our Group, and is familiar with our standards and requirements, we expect to continue such transactions with them after the Listing.

Pricing

The price of the electric related equipment and materials will be determined on arm's length negotiations and with reference to the public bidding prices of the relevant products, which should be in any event no less favorable to our Group than those provided by Independent Third Parties.

Historical Figures

For each of the years ended December 31, 2015, 2016 and 2017 and the six months ended 30 June 2018, the purchase fees paid by our Company to Material Industry were approximately RMB898,000, RMB22,369,000, RMB2,423,000 and nil (as Material Industry did not win any tender for our Group's procurement for the six months ended 30 June 2018), respectively. We procured electric related equipment and materials from Material Industry mainly to serve our EECS business. The historical transaction amounts fluctuated because we procured these products on project basis and suppliers are selected through tenders, thus there was no specific trend for the historical transaction amounts.

Annual Caps

The estimated annual caps for the transactions contemplated under the Master Products Purchase Agreement for each of the three years ending December 31, 2020 are as follows:

	Annual caps for the year ending December 31,		
	2018	**2019**	**2020**
	(RMB)	**(RMB)**	**(RMB)**
Total	900,000[1]	9,000,000	9,000,000

Note:

(1) The Master Products Purchase Agreement will take effect upon the Listing.

The annual caps were determined by reference to the average historical annual transaction amount during the Track Record Period. In respect of the annual cap for the year ending 31 December 2018, it is estimated on a pro-rata monthly basis of the annual caps for the years ending December 31, 2019 and 2020. Given that the transaction amount arise solely from the procurement through tender and it is difficult to accurately estimate the success rate of Material Industry in winning our tenders, our Company therefore considers it is in the interests of the Group and the Shareholders as a whole for the annual caps to be as accommodating to the Group as possible, taking into account the unforeseen demands for the equipment and materials from Material Industry, so that the Group would have flexibility in conducting its business without disruption.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the Non-exempt Continuing Connected Transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and that the proposed annual caps for these transactions are fair and reasonable and in our interests and the interests of our Shareholders as a whole.

CONFIRMATION FORM THE SOLE SPONSOR

The Sole Sponsor is of the view that the Non-exempt Continuing Connected Transactions (i) shall be entered into in the ordinary and usual course of business of our Group and on normal commercial terms or better; (ii) are fair and reasonable and in the interests of the Shareholders as a whole; and (iii) that the proposed annual caps for these transactions are fair and reasonable and in our interests and the interests of our Shareholders as a whole.

WAIVER FROM STRICT COMPLIANCE WITH REQUIREMENTS UNDER CHAPTER 14A OF THE LISTING RULES IN RESPECT OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

As the Non-exempt Continuing Connected Transactions are expected to be carried out after the Listing on a continuing and recurring basis, our Directors consider that strict compliance with the announcement requirement under Chapter 14A of the Listing Rules would be unduly burdensome, impractical and would add unnecessary administrative costs to our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a conditional waiver to us pursuant to Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Non-exempt Continuing Connected Transactions subject to the condition that the annual transaction value shall not exceed the relevant proposed annual caps set out above.

In addition, we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules, including Rules 14A.34, 14A.51 to 14A.59 and 14A.71(6) of the Listing Rules in relation to the Non-exempt Continuing Connected Transactions, the annual caps for the Non-exempt Continuing Connected Transactions for each of the three years ending December 31, 2020, and annual review by independent non-executive Directors and auditors, and will re-comply with relevant Listing Rules if any of the respective annual caps set out above are exceeded, or when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the Non-exempt Continuing Connected Transactions, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable timeframe.

MEMBERS OF OUR BOARD

The following table sets forth certain information regarding the members of our Board upon Listing:

Name	Age	Date of joining our Group	Current position	Date of appointment of term of office	Roles and responsibilities	Relationship with other Directors/ Supervisors/ senior management
Mr. Zeng Yong (曾勇先生)	54	15 June 2012	Chairman, executive Director	30 September 2014	Overall corporate strategies formulation of our Group	No
Mr. Wang Heng (王恒先生)	45	29 September 2011	Deputy chairman, executive Director and general manager	30 September 2014	Overall management of business and operation of our Group	No
Mr. Li Hui (李暉先生)	55	29 September 2011	Executive Director	20 August 2018	Corporate governance, secretary to our Board	No
Ms. Han Chunhong (韓春紅女士)	41	27 March 2018	Non-executive Director	27 March 2018	Supervision of the financial reporting system, risk management and internal control system of our Group	No
Ms. Li Yu (李彧女士)	32	10 October 2016	Non-executive Director	10 October 2016	Periodic evaluation of the risk management of our Group	No

Name	Age	Date of joining our Group	Current position	Date of appointment of term of office	Roles and responsibilities	Relationship with other Directors/ Supervisors/ senior management
Mr. Wang Chengke (王承科先生)	52	16 May 2017	Non-executive Director	16 May 2017	Supervision of compliance, corporate governance and business development	No
Mr. Zhou Yanbin (周燕賓先生)	51	8 September 2011	Non-executive Director	30 September 2014	Supervision of compliance, corporate governance and business development	No
Mr. Kin Kwong Kwok Gary (郭建江先生)	42	16 May 2017	Independent non-executive Director	16 May 2017*	Supervision and providing independent advice to our Board	No
Mr. Fan Wei (范為先生)	33	16 May 2017	Independent non-executive Director	16 May 2017*	Supervision and providing independent advice to our Board	No
Ms. He Zhen (何真女士)	42	27 March 2018	Independent non-executive Director	27 March 2018*	Supervision and providing independent advice to our Board	No
Mr. Wang Peng (王鵬先生)	45	16 May 2017	Independent non-executive Director	16 May 2017*	Supervision and providing independent advice to our Board	No

* Effective from the Listing Date

EXECUTIVE DIRECTORS

Mr. Zeng Yong (曾勇先生), aged 54, joined our Group in June 2012 and is currently an executive Director and the chairman of the Board, mainly responsible for the overall corporate strategies formulation of our Group. Mr. Zeng graduated from Southwestern University of Finance and Economics* (西南財經大學) in Chengdu City, Sichuan Province, the PRC, with a master degree majoring in senior management business administration in December 2014. Mr. Zeng was credited as Chinese Career Manager (Professional Level: High Level) (中國職業經理人) by Economic Talent Professional Committee of China Talent Research* (中國人才研究會經濟人才專業委員會) and Chinese Career Manager Profession Assessment Committee* (中國職業經理人資格評審委員會) in March 2005.

Mr. Zeng has over 35 years' experience in the electricity industry. Mr. Zeng served in our Company as the general manager from June 2012 to June 2014. He has been the chairman of the Board since July 2014 and the Director since July 2012.

Before joining our Group, Mr. Zeng also served in various electricity companies. He served as the deputy head of station and head of station in Yibin County Dengtouxi Power Station* (宜賓縣鄧頭溪電站) from December 1985 to October 1991, the general manager in Yibin County Gaochang Power Supply Co., Ltd.* (宜賓縣高場供電公司) from June 1992 to May 1994, the manager of Sichuan Province Yibin County Changyuan Infrastructure Co., Ltd.* (四川省宜賓縣長源實業有限公司) from January 1999 to March 2000, the general manager in Sichuan Changyuan Electricity Co., Ltd.* (四川長源電力股份有限公司) from March 2000 to September 2001, the chairman of the board in Sichuan Changyuan Electricity Co., Ltd. from September 2001 to July 2005 and the chairman of the board in Sichuan Province Hydropower Group Changyuan Electricity Co., Ltd.* (四川省水電集團長源電力有限公司) from July 2005 to June 2010. He served as a general manager assistant, staff director and deputy general manager in Hydropower Group from January 2006 to January 2007, from January 2007 to January 2010 and from January 2010 to May 2012, respectively. He also served as the director and the chairman of the board in Sichuan Energy Investment Electricity Sales Co., Ltd.* (四川能投售電有限責公司) from November 2016 to April 2017

Mr. Zeng has received several awards during the past years, including but not limited to "Outstanding Talent of Yibin County* (宜賓縣優秀人才)" granted by Yibin County Party Committee of C.P.C* (中共宜賓縣委) and People's Government of Yibin County* (宜賓縣人民政府) in December 2003, "Outstanding Manager Who Operates Enterprise Relying on Staff for Year 2004 (2004年依靠職工辦企業的優秀經營管理者稱號)" granted by Yibin City Commission for Discipline Inspection of C.P.C* (中共宜賓市紀委), Organization Department of Yibin City Party Committee of C.P.C* (中共宜賓市委組織部), Propaganda Department of Yibin City Party Committee of C.P.C* (中共宜賓市委宣傳部), Yibin City Commission for Economy and Trade* (宜賓市經貿委) and Yibin City Federation of Trade Unions* (宜賓市總工會) in June 2004, "Outstanding Entrepreneurs of Sichuan Province* (四川省優秀創業企業家)" granted by Sichuan Enterprise Confederation* (四川省企業聯合會) and Sichuan Enterprise Directors Association* (四川省企業家協會) in April 2005, "National Outstanding Entrepreneur in Water Conservancy* (全國優秀水利企業家)" granted by China Water

Enterprises Confederation* (中國水利企業協會) in October 2005, the "Best Individual of Safety Production in Central and Provincial Key Enterprises in Sichuan Province for Year 2011* (2011年度中央在川和省屬重點企業安全生產工作先進個人)" granted by the Safety Production Committee Office of People's Government of Sichuan Province* (四川省人民政府安全生產委員會辦公室) in March 2012. Mr. Zeng's work, namely Local Electric Enterprises' Intensive Operation and Management Regarding Providing Service and Ensuring Capacity* (地方電力企業提供服務保障能力的集約化經營管理), was awarded as "the First Prize of Enterprises Management Modernization Innovation Achievement in Sichuan Province for Year 2014* (2014年度四川省企業管理現代化創新成果一等獎)" by the Sichuan Province Enterprises Management Modernization Innovation Achievement Appraisal Committee* (四川省企業管理現代化創新成果審定委員會), the Sichuan Enterprise Confederation and the Sichuan Enterprise Directors Association in December 2014 and the 21st National Secondary Enterprises Management Modernization Innovation Achievement* (第二十一屆國家級二等企業管理現代化創新成果) by Enterprises Management Modernization Innovation Achievement Appraisal Committee* (全國企業管理現代化創新成果審定委員會) in January 2015. Mr. Zeng has served as the first deputy chairman of Sichuan Energy Association* (四川省能源協會) since December 2016. He has also been elected as an executive director of the eighth session of the council by Sichuan Enterprise Confederation and Sichuan Enterprise Directors Association, the term of which is from January 2014 to January 2019.

Outside our Group, Mr. Zeng has served in Hydropower Group as a director since May 2012 and as the chairman of the board since September 2016. Please also refer to the section headed "Relationship with our Controlling Shareholders — Independence from our Controlling Shareholders — Management Independence" in this prospectus.

Mr. Wang Heng (王恒先生), aged 45, joined our Group in September 2011 and is currently an executive Director, the deputy chairman of Board and the general manager of our Company, mainly responsible for overall management of business and operation of our Group. Mr. Wang graduated from Hohai University* (河海大學) in Nanjing City, Jiangsu Province, the PRC, with a bachelor degree majoring in electric power system and automation in July 1996. Mr. Wang has been accredited as an engineer by the Professional Title Reform Leading Group in Yibin City* (宜賓市職稱改革工作領導小組) in December 2002.

Mr. Wang has over 21 years' experience in the electricity industry. He served as the chairman of board, an executive director, and general manager in Gao County Electricity from June 2008 to February 2012, from February 2012 to June 2014 and from June 2008 to June 2014, respectively. He also served as the deputy general manager in Hydropower Group from June 2014 to March 2017.

Before joining our Group, he served as a deputy chief of engineering section of project construction center in Gao County Laifu Hydropower Station* (高縣來復水電站), a deputy head of Gao County Laifu Hydropower Station, general manager assistant and deputy general manager in Gao County Electricity Head Company* (高縣電力總公司) from January 1997 to April 2000, from April 2000 to November 2001, from November 2001 to January 2003 and from January 2007 to June 2008, respectively.

Outside our Group, Mr. Wang has served as a director of Sichuan Guangan AAA Public Co., Ltd* (四川廣安愛眾股份有限公司, stock code: 600979.SH), a listed company on the Shanghai Stock Exchange since October 2014. Mr. Wang is mainly responsible for supervision of compliance, corporate governance and business development.

Mr. Li Hui (李暉先生), aged 55, joined our Group in September 2011 and is currently an executive Director, the secretary to the Board and one of our joint company secretaries, mainly responsible for organization of Board meetings and shareholders' meeting. Mr. Li graduated from Southwestern University of Finance and Economics* (西南財經大學) in Chengdu City, Sichuan Province, the PRC, with a master degree majoring in senior management business administration in December 2014. Mr. Li has been accredited as an engineer by the Professional Title Reform Leading Group of Sichuan Province Hydropower Department* (四川省水電廳職改領導小組) in May 1993.

Mr. Li has over 20 years' experience in the electricity industry. Mr. Li served as the deputy general manager of our Company from September 2011 to June 2016. Before joining our Group, he served as a deputy chief and chief of national assets management section in Local Electric Power Bureau of Sichuan Province* (四川省地方電力局) from January 1997 to January 2005. He also served as an office administrator of the board and general manager assistant in Hydropower Group, from January 2005 to June 2010 and March 2008 to September 2011, respectively. He concurrently served as a deputy chairman of the board in Leshan City Jinyang Electricity Development Co., Ltd.* (樂山市金洋電力開發有限責任公司) from October 2005 to December 2011.

NON-EXECUTIVE DIRECTORS

Ms. Han Chunhong (韓春紅女士), aged 41, joined our Group in March 2018 and is currently a non-executive Director, mainly responsible for supervision of the financial reporting system, risk management and internal control system of our Group. Ms. Han graduated from Northeast Electric Power University* (東北電力大學) in Jilin City, Jilin Province, the PRC, with a bachelor degree majoring in management information system in June 1999, and a master degree majoring in technical economy and management in March 2002. Ms. Han was accredited as an intermediate economist by Ministry of Human Resources and the Social Security of the PRC in November 2009.

Ms. Han has over 15 years' experience in electricity industry. Before joining our Group, Ms. Han successively served as a manager and a senior manager of capital operation department in China Power (stock code: 2380) from May 2003 to June 2015. Ms. Han also successively served as the deputy manager and general manager of investor relations department in China Power International New Energy Holding Co., Ltd.* (中電國際新能源控股有限公司) from June 2015 to December 2017. Ms. Han has served as the deputy general manager of capital operation department in China Power to perform the duties of the general manager since December 2017.

Ms. Li Yu (李彧女士), aged 32, joined our Group in October 2016 and is currently a non-executive Director, mainly responsible for periodic evaluation of the risk management condition and risk tolerance of our Group. Ms. Li graduated from Tsinghua University (清華

大學) in Beijing, the PRC, with a master degree majoring in international relationships, in July 2010. Ms. Li has been accredited as intermediate economist by the Beijing Municipal Human Resources and Social Security Bureau* (北京市人力資源和社會保障局) in November 2012.

Ms. Li has almost 7 years' experience in the electricity industry. Before joining our Group, she served as the department head and project manager in China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司, stock code: 916.HK) from July 2010 to June 2016.

Outside our Group, she has also served in Three Gorges Capital since June 2016 and has been the investment head since December 2016.

Mr. Wang Chengke (王承科先生), aged 52, joined our Group in May 2017 and is currently a non-executive Director, mainly responsible for supervision of compliance, corporate governance and business development. Mr. Wang graduated from the correspondence college of Party College of Sichuan Province Committee of C.P.C* (四川省委黨校函授學院) in Chengdu City, Sichuan Province, the PRC, majoring in economic management in December 1997.

Mr. Wang has over 10 years' experience in corporate management. Before joining our Group, Mr. Wang served various roles in Personnel Bureau of Gao County* (高縣人事局), as a clerk, a staff member and a secretary from July 1986 to October 1994. He successively served in Organization Department of Gao County* (高縣組織部) as a secretary, the organizer, the deputy head and concurrently the director of Party Building Office* (黨建辦公室), and the director of Research Office of the Party* (黨研室) from October 1994 to February 2003. Mr. Wang served as the head of Development and Reform Bureau of Gao County* (高縣發展和改革局) from February 2003 to October 2010.

Outside our Group, he has served as the general manager and the responsible person in the Gao County State-owned Assets Co. since September 2010 and was subsequently promoted to chairman of board.

Mr. Zhou Yanbin (周燕賓先生), aged 51, joined our Group in September 2011 and is currently a non-executive Director, mainly responsible for supervision of compliance, corporate governance and business development. Mr. Zhou graduated from Party College of Sichuan Province Committee of C.P.C* (中央四川省委黨校) in Chengdu City, Sichuan Province, the PRC, majoring in politics in June 2003.

Before joining our Group, Mr. Zhou served as an office administrator in the State-owned Assets Supervision and Administration Commission of the People's Government of Yibin City* (宜賓市政府國有資產監督管理委員會) from August 2005 to June 2008. He concurrently served as a director in Yibin City Investment Group Co., Ltd.* (宜賓市投資集團有限責任公司) from December 2007 to June 2008.

Outside our Group, Mr. Zhou has been the chairman of the board in Sichuan Jiuhe Electricity Limited* (四川九河電力股份有限公司) since June 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kin Kwong Kwok Gary (郭建江先生), aged 42, was appointed as an independent non-executive Director in May 2017, mainly responsible for supervising and providing independent judgement to our Board. Mr. Kwok graduated from the Chinese University of Hong Kong* (香港中文大學) in Hong Kong, with a bachelor degree majoring in business administration in May 1998. Mr. Kwok was accredited as a member of the Hong Kong Institute of Certified Public Accountants (HKICPA) in February 2005.

Mr. Kwok has over 15 years' experience in the financial services industry in Hong Kong and the PRC, with extensive knowledge and experience in asset management, corporate finance and accounting. Mr. Kwok served as an accountant in Deloitte Touche Tohmatsu from September 1998 to August 2000. He also worked in the corporate finance department of Ka Wah Capital Limited* (嘉華金融有限公司) and BOCI Asia Limited* (中銀國際(亞洲)有限公司) from September 2000 to May 2003, responsible for advising various companies on listing and mergers and acquisitions. He successively served as an investment manager and the deputy general manager in CITIC International Assets Management Limited* (中信國際資產管理有限公司) from January 2004 to July 2012. He also served as the chief financial officer and the executive director in TTG Fintech Limited (previously known as TTG Mobile Coupon Services Limited, ARBN 158 702 400) from July 2012 to December 2017 and September 2012 to December 2017, respectively. Mr. Kwok also successively served as the chief financial officer in SBI BITS Hong Kong Company Limited from December 2017 to September 2018.

Mr. Kwok has served as the chief financial officer in Yin Yi Holdings (Hong Kong) Limited* (垠壹香港有限公司) since September 2018.

Mr. Fan Wei (范為先生), aged 33, was appointed as an independent non-executive Director in May 2017, mainly responsible for supervising and providing independent judgement to our Board. Mr. Fan graduated from University of Electronic Science and Technology of China* (電子科技大學) in Chengdu City, Sichuan Province, the PRC with double bachelor degrees majoring in finance and business administration in July 2006, a master degree majoring in economics in June 2009, and a doctor degree majoring in management science and engineering in June 2012, and Mr. Fan graduated from Tsinghua University* (清華大學) in Beijing, the PRC with a doctor degree (post doctorate) majoring in public administration in May 2016.

Mr. Fan has over 9 years' experience in the financial services industry. Mr. Fan has served as the chief analyst in Fixed Income Department of Shenwan Hongyuan Securities Limited* (申萬宏源證券有限公司, stock code: 166.SZ) since August 2011. He also served as the assistant of the secretary (temporary position) (掛職) of Youth League Committee of Jilin Province from January 2015 to May 2016. Mr. Fan has also concurrently served as a part-time graduate supervisor for the School of Economics and Management of Tsinghua University for the years from 2014 to 2018, and an external graduate supervisor (校外碩士生導師) for the School of Economics of Peking University from November 2016 to October 2018.

Ms. He Zhen (何真女士), aged 42, was appointed as an independent non-executive Director in March 2018, mainly responsible for supervising and providing independent judgement to our Board. Ms. He graduated from Sichuan Normal University* (中國四川省成都市四川師範大學) in Chengdu City, Sichuan Province, the PRC, with a bachelor degree majoring in history in July 1998, and a master degree majoring in constitution and administrative law in July 2003, and she also graduated from Southwestern University of Finance and Economics* (西南財經大學) in Chengdu City, Sichuan Province, the PRC, with a doctor degree majoring in civil and commercial law in June 2013. Ms. He was accredited as an associated professor by Southwest Minzu University* (西南民族大學) in December 2008.

Ms. He has over 15 years' experience in law. Ms. He served as a teaching staff in Chongqing Construction Second High School* (重慶建設二中) from July 1998 to September 2000. She has served as a teaching staff in Southwest Minzu University* (西南民族大學) since July 2003. Ms. He has served as a part-time lawyer in Sichuan Taichang Law Firm* (四川泰常律師事務所) since November 2013. Ms. He has also served as independent non-executive director in several companies, in Sunjuice Holdings Co., Ltd.* (鮮活控股股份有限公司) (stock code: 1256.TW) since April 2017, in Sichuan Jinshi Leasing Co., Ltd.* (四川金石租賃股份有限公司) since December 2017 and in Chengdu Dahongli Machinery Co., Ltd.* (成都大宏立機器股份有限公司) since December 2017.

Mr. Wang Peng (王鵬先生), aged 45, was appointed as an independent non-executive Director in May 2017, mainly responsible for supervising and providing independent judgement to our Board. Mr. Wang graduated from North China Electric Power University* (華北電力大學) in Beijing and Hebei Province, the PRC, with a bachelor degree majoring in electricity system and its automation in July 1994, a master degree in engineering in January 1997 and a doctor degree majoring in electricity system and its automation in April 2002. Mr. Wang was accredited as a professor by the Evaluation Committee of Professional Technology Personnel of North China Electric Power University* (華北電力大學) in March 2009.

Mr. Wang has 20 years' experience in electricity system and automation of electricity system industry. Mr. Wang served as a teaching staff in North China Electric Power University* (華北電力大學) from April 1997 to May 2005 and has continued to serve as a professor at North China Electric Power University* (華北電力大學) since May 2015. He served as an employee in the North China Energy Regulatory Bureau of State Electricity Regulatory Commission* (國家電監會華北監管局, currently known as the North China Energy Regulatory Bureau of National Energy Administration of the PRC* (國家能源局華北監管局)) from May 2005 to May 2015. Mr. Wang was appointed as an independent non-executive of OneForce Holdings Limited, a listed issuer on the Stock Exchange (stock code: 1933) on February 5, 2018.

BOARD OF SUPERVISORS

The following table sets forth certain information regarding the members of our board of Supervisors:

Name	Age	Date of joining our Group	Current position	Date of appointment of term of office	Roles and responsibilities	Relationship with other Directors/ Supervisors/ senior management
Mr. Zeng Zhiwei (曾志偉先生)	37	5 September 2017	Supervisor	5 September 2017	Monitoring and supervising our operational and financial activities	No
Ms. Fu Ruoxue (傅若雪女士)	45	16 May 2017	Supervisor	16 May 2017	Monitoring and supervising our operational and financial activities	No
Ms. Li Jia (李佳女士)	43	20 April 2016	Supervisor	10 October 2016	Monitoring and supervising our operational and financial activities	No
Mr. Hu Changxian (胡昌現先生)	47	8 April 2016	Supervisor	10 October 2016	Monitoring and supervising our operational and financial activities	No
Ms. Chen Yingchun (陳迎春女士)	41	20 August 2018	Supervisor	20 August 2018	Monitoring and supervising our operational and financial activities	No
Mr. Ouyang Yu (歐陽煜先生)	40	20 August 2018	Supervisor	20 August 2018	Monitoring and supervising our operational and financial activities	No

Mr. Zeng Zhiwei (曾志偉先生), aged 37, joined our Group in September 2017 and is currently a Supervisor, mainly responsible for monitoring and supervising our operational and financial activities. Mr. Zeng graduated from North China University of Water Resources and Electric Power* (華北水利水電大學), formerly known as North China College of Water Resources and Electric Power* (華北水利水電學院), in Zhengzhou City, Henan Province, the PRC, with a bachelor degree majoring in computer science and technology in June 2003. He also obtained a master degree majoring in finance from Hohai University* (河海大學) in

Nanjing City, Jiangsu Province, the PRC, in June 2008. Mr. Zeng was accredited as an intermediate economist* (中級經濟師) by Tianjin City Professional Title Working Office* (天津市職稱工作辦公室) in April 2013.

Before joining our Group, Mr. Zeng served as an investment analysis assistant in the capital operation department of China Yangtze Power Co., Ltd.* (中國長江電力股份有限公司) from July 2008 to August 2011. He served in China Three Gorges Corporation* (中國長江三峽集團公司) from August 2011 to June 2015. Mr. Zeng also served in Three Gorges Capital as the deputy general manager of security investment department from June 2015 to March 2017.

Outside our Group, Mr. Zeng has served as the deputy general manager of investment management department in Three Gorges Capital since March 2017, the director of Chongqing Three Gorges Guarantee Group Co., Ltd.* (重慶三峽擔保集團股份有限公司) since September 2017, and the director of Hubei Province State-owned Capital Operation Co., Ltd.* (湖北省國有資本運營有限公司) since September 2017 and a director of Jian Xin Rong Tong Co., Ltd.* (建信融通有限責任公司) since February 2018.

Ms. Fu Ruoxue (傅若雪女士), aged 45, joined our Group in May 2017 and is currently a Supervisor, mainly responsible for monitoring and supervising our operational and financial activities. Ms. Fu obtained a bachelor degree majoring in accounting jointly granted by Southwestern University of Finance and Economics* (西南財經大學) and Sichuan Province Higher Education Self-study Examination Committee* (四川省高等教育自學考試委員會) in Chengdu City, Sichuan Province, the PRC in December 1998. Ms. Fu has been accredited as an advanced accountant by the Professional Title Reform Leading Group in Sichuan Province* (四川省職稱改革工作領導小組) in December 2007.

Ms. Fu has over 10 years' experience in auditing. Before joining our Group, Ms. Fu served as the supervisor and the head of the audit office in Sichuan Chemical Company Limited* (川化股份有限公司, stock code: 000155.SZ), listed company on the Shenzhen Stock Exchange ("Sichuan Chemical") from October 2008 to May 2012 and from December 2008 to October 2013, respectively. She also served as the head of the audit department in Sichuan Chemical Liangli Logistics Co., Ltd.* (川化量力物流有限責任公司, currently known as Sichuan Energy Liangli Logistics Development Limited (四川能投量力物流發展有限公司)) from October 2013 to March 2016. Ms. Fu has served as a specialized supervisor in Sichuan Development Co. since April 2016.

Ms. Li Jia (李佳女士), aged 43, joined our Group in April 2016 and is currently a Supervisor, mainly responsible for monitoring and supervising our operational and financial activities. Ms. Li graduated from Southwest Jiaotong University* (西南交通大學) in Chengdu City, Sichuan Province, the PRC, with a bachelor degree majoring in industrial and commercial administration in July 1998. Ms. Li has been accredited as the senior economist by the Professional Title Reform Leading Group in Sichuan Province* (四川省職稱改革領導小組) in July 2009.

Before joining our Group, Ms. Li served in Sichuan Chemical Group Co., Ltd.* (川化集團有限責任公司) as an employee from July 1998 to August 1999, the secretary to the president office from August 1999 to June 2004. She also served various positions in Sichuan Chemical

Company Limited* (川化股份有限公司, stock code: 000155.SZ) as the secretary to the general manager office from June 2004 to December 2008, the deputy director of the general office in administrative department from December 2008 to November 2011, the director of general office in administrative department from November 2011 to August 2013, the assistant to the director of the general manager office from August 2013 to July 2014 and the deputy director of the general manager office from July 2014 to April 2016.

Mr. Hu Changxian (胡昌現先生), aged 47, joined our Group in January 2016 and is currently a Supervisor, mainly responsible for monitoring and supervising our operational and financial activities. Mr. Hu graduated from Xinan Minzu College* (西南民族學院, currently known as Xinan Minzu University* (西南民族大學)) in Chengdu City, Sichuan Province, the PRC, with a bachelor degree majoring in physics in July 1995. Mr. Hu has been accredited as a senior engineer by the Professional Title Reform Leading Group in Sichuan Province* (四川省職稱改革工作領導小組) in March 2008.

Before joining our Group, Mr. Hu served in Sichuan Chemical Group Co., Ltd.* (川化集團有限責任公司) as a staff in the school for employees from July 1995 to October 2001, an employee in the human resources department from October 2001 to April 2006. He also served various positions in Sichuan Chemical Company Limited* (川化股份有限公司, stock code: 000155.SZ) as the deputy office director of Catalyst Factory (催化劑廠) from April 2006 to August 2011, the deputy head of gas factory from August 2011 to August 2014, the deputy manager of supply and sales company from August 2014 to January 2016.

Mr. Ouyang Yu (歐陽煜先生), aged 40, was appointed as our supervisor in August 2018. Mr. Ouyang graduated from Sichuan Agricultural University* (四川農業大學) in Sichuan Province, the PRC, in December 2003, with a bachelor degree majoring in resources economics and management.

From October 1995 to December 1999, Mr. Ouyang worked at Agricultural Bureau of Huidong County in Liangshan* (涼山州會東縣農業局). From January 2000 to March 2012, he worked at Agricultural Bureau of Yunlian County in Yibin City* (宜賓市筠連縣農業局). From March 2004 to March 2012, Mr. Ouyang served as the deputy director at the Energy Resources Office of Rural Area* (農業能源辦公司). Mr. Ouyang was assigned to Agricultural Finance Unit of Finance Bureau in Yunlian County* (縣財政局農業股) from September 2007 to March 2012. He served as the deputy unit head at Agricultural Finance Unit of Finance Bureau in Yunlian County* (縣財政局農業股) from March 2012 to June 2016. In July 2017, Mr. Ouyang served as the deputy manager at Yunlian County State-owned Property Operating Company Limited* (筠連縣國有資產經營有限公司) to be in charge of work.

Ms. Chen Yingchun (陳迎春女士), aged 41, was appointed as our supervisor in August 2018. Ms. Chen graduated from the Xingwen branch school of Sichuan Province Party School* (四川省委黨校興文分校) majored in law in Sichuan Province, the PRC, and gained a junior college degree in July 2000, and a bachelor's degree in July 2003.

From October 1995 to February 2001, she worked as a guide at Xingwen County Shihai Dongxiang Tourism Management Office* (興文縣石海洞鄉風景旅遊管理所). From February 2001 to February 2005, she worked at Landscape Office of Construction Environmental

Protection Bureau in Xingwen County* (興文縣建設環保局園林所). From February 2005 to April 2006, Ms. Chen worked as the deputy director at the Unit of Letters and Visits of Office of Xingwen County Party Committee* (興文縣委辦公室信訪辦), and served as the deputy director at Xingwen County Reception Office* (興文縣縣政府接待辦) from April 2006 to July 2006. From July 2006 to January 2010, Ms. Chen worked as the deputy director at Xingwen County Tourism Management Bureau* (興文縣風景旅遊管理局). From July 2007 to January 2010, Ms. Chen also served as the deputy director at Xingwen World Geological Park Management Bureau* (興文世界地質公園管理局) and Shihai Dongxiang Places of Interest Management Bureau* (石海洞鄉風景名勝管理局). From January 2010 to May 2015, she worked as the deputy director at Xingwen County Mining Products Tax Collection and Management Office* (興文縣礦產品稅費徵管辦). From May 2015 to December 2015, Ms. Chen worked at Xingwen County Development Investment Group Company Limited* (興文縣發展投資集團有限責任公司). From March 2018 to now, Ms. Chen has worked as the chairman of supervisory board at Xingwen County Taiping Industrial Development Company Limited.

SENIOR MANAGEMENT

The following table sets forth certain information regarding the members of our senior management:

Name	Age	Date of joining Our Group	Current Position	Date of Appointment of term of office	Roles and responsibilities	Relationship with other Directors/ Supervisors/ senior management
Mr. Wang Heng (王恒先生)	45	29 September 2011	Deputy chairman, and general manager	10 October 2014	Overall management of business and operation of our Group	No
Mr. Li Hui (李暉先生)	55	29 September 2011	Corporate governance, secretary to the Board	27 March 2018	Organization of Board meetings and shareholders' meeting	No
Mr. Ding Daijun (丁代筠先生)	49	24 October 2011	Deputy general manager	20 August 2018	Production management, operation management of equipment and power grid, power generation management, security management, environmental matters and employees' health matters of our Group	No

Name	Age	Date of joining Our Group	Current Position	Date of Appointment of term of office	Roles and responsibilities	Relationship with other Directors/ Supervisors/ senior management
Mr. Wang Yuanchun (汪元春先生)	43	21 May 2012	Deputy general manager	20 August 2018	Investment management, power grid development planning, construction management, bidding management and electricity engineering consulting of our Group and management of business and operation of Junlian Electricity	No
Mr. Li Rui (李鋭先生)	40	1 January 2017	Deputy general manager	20 August 2018	Investment, merger and acquisition, and securities relevant compliance	No
Ms. Li Bi (李苾女士)	39	24 October 2011	Chief financial officer	21 April 2017	Financial management, budget management, fixed assets management, financing management, capital operation, statistic and taxation of our Group and financial affairs of the Listing	No

Mr. Wang Heng (王恒先生)

For details of biography of Mr. Wang Heng, please see the section headed “Directors, Supervisors and Senior Management — Executive Directors”.

Mr. Li Hui (李暉先生)

For details of biography of Mr. Li Hui, please see the section headed “Directors, Supervisors and Senior Management – Executive Directors”.

Mr. Ding Daijun (丁代筠先生), aged 49, joined our Group in October 2011 and is currently deputy general manager of our Company, mainly responsible for production management, operation management of equipment and power grid, power generation management, security management, environmental matters and employees’ health matters of our Group. Mr. Ding graduated from Sichuan University of Science & Engineering* (四川理

工學院), formerly known as Sichuan Light Chemical College* (四川輕化工學院) in Zigong City, Sichuan Province, the PRC majoring in chemical equipment and machinery in July 1990. Mr. Ding was accredited as an assistant engineer by Sichuan Province Professional Title Reform Leading Group* (四川省職稱改革工作領導小組) in September 1991.

Mr. Ding has over 16 years' experience in electricity industry. He served as the general manager in Junlian Electricity from October 2012 to July 2014.

Before joining our Group, Mr. Ding served as a deputy general manager in Sichuan Province Junlian Power Supply Co., Ltd.* (四川省筠連供電有限責任公司) from August 2000 to September 2007, and a general manager in Sichuan Province Hydropower Investment Management Group Junlian Electricity Co., Ltd.* (四川省水電投資經營集團筠連電力有限公司) from September 2007 to October 2012, respectively.

Mr. Wang Yuanchun (汪元春先生), aged 43, joined our Group in May 2012 and is currently the deputy general manager of our Company, mainly responsible for investment management, power grid development planning, construction management, bidding management and electricity engineering consulting of our Group and management of business and operation of Junlian Electricity. He has also been the executive director of Junlian Electricity since September 2014. Mr. Wang graduated from the Open University of China* (中央廣播電視大學) in Beijing, the PRC, with a bachelor degree majoring in administrative management in January 2013. Mr. Wang has been accredited as a senior technician (maintenance electrician) by the Sichuan Province Human Resources and Social Security Department* (四川省人力資源和社會保障廳) in October 2014.

Mr. Wang has over 26 years' experience in electricity industry. He served as the deputy general manager, the first responsible person and the general manager and the executive director in Junlian Electricity, from October 2013 to October 2014, from July 2014 to October 2014 and from September 2014 to July 2017, respectively.

Before joining our Group, Mr. Wang successively served as the leader of marketing group of Baihua Power Supply Station* (白花供電所), the marketing squad leader of Baihua Power Supply Station* (白花供電所), the deputy head of Lichang Power Supply Station* (李場供電所), and the deputy head of Baihua Power Supply Station* (白花供電所) in Sichuan Changyuan Electricity Co., Ltd.* (四川長源電力股份有限公司) from August 2001 to February 2003, from February 2003 to March 2004, from March 2004 to February 2006 and from February 2006 to May 2010, respectively. He also served as the manager assistant, deputy general manager and the executive director of Jinhe Company (金禾公司) in Sichuan Province Hydropower Investment and Management Group Meigu Electricity Co., Ltd.* (四川省水電投資經營集團有限公司美姑電力有限公司), from May 2010 to June 2011 and from June 2011 to October 2013, respectively.

Mr. Li Rui (李鋭先生), aged 40, joined our Group in January 2017 and is currently the deputy general manager of our Company, mainly responsible for investment, merger and acquisition, and securities related compliance. Mr. Li has served as the assistant to the chairman of the board and the director of the board office of our Group since January 2017.

Mr. Li graduated from University of Science and Technology of China* (中國科學技術大學) in Hefei City, Anhui Province, the PRC, with a bachelor degree majoring in business management in January 2007. Mr. Li was accredited as an assistant engineer by State Power Corporation of China in December 2001.

Mr. Li has around 20 years' experience in electricity industry. Before joining our Group, Mr. Li served various roles in Wuhu Power Plant* (蕪湖發電廠), as a clerk in the power generation department from August 1996 to January 2005, as a monitor of the power generation department from January 2005 to January 2007, and as the shift supervisor of the power generation department from January 2007 to December 2010. Mr. Li also served as a manager and a senior manager of capital operation department in China Power, a listed issuer of the Stock Exchange (stock code: 2380), from December 2010 to May 2015 and from May 2015 to December 2016, respectively.

Ms. Li Bi (李苾女士), aged 39, joined our group in October 2011 and is currently the chief financial officer of our Company, mainly responsible for financial management, budget management, fixed assets management, financing management, capital operation, statistics and taxation of our Group and financial affairs of the Listing. Ms. Li graduated from Southwestern University of Finance and Economics* (西南財經大學) in Chengdu, Sichuan Province, the PRC, in June 2001 with a bachelor degree majoring in accounting. Ms. Li has been accredited as an senior accountant by the Professional Title Reform Leading Group in Sichuan Province* (四川省職稱改革工作領導小組) in April 2014, a certified public accountant by Chongqian Institute of Certified Public Accountants* (重慶註冊會計師協會) in June 2005, and a certified tax agent by Sichuan Provincial Human Resources and Social Security Department (四川省人力資源和社會保障廳) in August 2006.

Ms. Li has over 18 years' experience in financial and accounting services. Ms. Li served various roles in the financial and assets department of our Company. Ms. Li served as temporary principal from October 2011 to December 2012 and the deputy section head from December 2012 to August 2013. Ms. Li has served as the head of finance department of our Company since August 2013 and the chief financial officer of our Company since May 2017.

Before joining our Group, Ms. Li served as an accountant in the finance department of Chengdu Chengwenqiong Expressway Co., Ltd.* (成都成溫邛高速公路有限公司) from September 1999 to December 2004, worked in Sichuan Xintong Certified Public Accountants* (四川信通會計師事務所) from August 2005 to December 2006, and served as a project manager of the audit department in ShineWing Certified Public Accountants* (信永中和會計師事務所) from December 2006 to July 2010. She also worked in Chengdu Borui Real Estate Development Co., Ltd.* (成都博瑞房地產開發公司) in 2010.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, (i) each Director, Supervisor and senior management has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; and (ii) there was no other matter with respect to the appointment of our Directors, Supervisors and senior management that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors, Supervisors and chief executive that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Li Hui (李暉先生), aged 55, has served as one of our Company's joint company secretaries since 5 January 2018. He concurrently serves as the secretary to the Board and an executive Director. For further details of his biography, please see the section headed "Directors, Supervisors and Senior Management — Senior Management".

Ms. Wong Wai Ling (黃慧玲女士) was appointed as a joint company secretary in January 2018. She has over 10 years of experience in providing company secretarial services in Hong Kong. Ms. Wong is vice president of SWCS Corporate Services Group (Hong Kong) Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SWCS Corporate Services Group (Hong Kong) Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong has been awarded a Bachelor of Arts degree in Marketing and Public Relations from The Hong Kong Polytechnic University and Master of Corporate Governance degree from The Open University of Hong Kong. Ms. Wong is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 3.28 and Rule 8.17 of the Listing Rules as regards to the necessary qualifications of our company secretary. For further details of this waiver application, please see the section headed "Waiver from Strict Compliance with the Listing Rules — Joint Company Secretaries".

BOARD COMMITTEES

The Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles of Association and the Listing Rules, we have established our audit committee, remuneration committee, nomination committee and risk control committee.

Audit Committee

The audit committee consists of three Directors: Mr. Kin Kwong Kwok Gary (郭建江先生), Ms. Han Chunhong (韓春紅女士) and Mr. Fan Wei (范為先生). Mr. Kin Kwong Kwok Gary currently serves as the chairman of the audit committee. The terms of reference of the audit committee are in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary responsibilities of the audit committee include but not limited to supervising our internal control, risk management, financial information disclosure and financial reporting matters.

Remuneration Committee

The remuneration committee of our Company consists of three Directors: Mr. Wang Peng (王鵬先生), Mr. Wang Heng (王恒先生) and Ms. He Zhen (何真女士). Mr. Wang Peng currently serves as the chairman of our Company's remuneration committee. The terms of reference of the remuneration committee are in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary responsibilities of the remuneration committee include but not limited to making recommendations to the Board on our Company's policy and structure for all remuneration of our Directors and senior management and making recommendations on employee benefit arrangement.

Nomination Committee

The nomination committee of our Company consists of three Directors: Mr. Zeng Yong (曾勇先生), Ms. He Zhen (何真女士) and Mr. Wang Peng (王鵬先生) . Mr. Zeng Yong currently serves as the chairman of the nomination committee. The terms of reference of the nomination committee are in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary responsibilities of the nomination committee include but not limited to making recommendations to our Board on the appointment and removal of our Directors and senior management.

Risk Control Committee

The risk control committee consists of three directors: Mr. Fan Wei (范為先生)*,* Ms. Li Yu (李彧女士) and Mr. Kin Kwong Kwok Gary (郭建江先生). Mr. Fan Wei currently serves as the chairman of our Company's risk control committee. The primary responsibilities of the risk control committee include but not limited to (i) establishing risk management policies; (ii) periodically assessing risk level and management status, and evaluating the working procedures and results of our internal audit department; (iii) providing suggestions to improve our risk management and internal control; and (iv) monitoring our senior management in terms of risk management on credit, market and operations.

Party's Committee

The Party's Committee of our Company was established in July 2013, consisting of 9 members, including certain of our Directors, our Supervisors, senior management and other employees of our Company. According to the Guiding Opinions of the General Office of the State Council on Further Improving the Corporate Governance Structure of Stateowned Enterprises as promulgated by the General Office of the State Council on 3 May 2017, inter alia, it has to specify the legal status of party organization in the corporate governance structure of state-owned enterprises, to incorporate the overall of party constitution work into the constitution of state-owned enterprises, specify the responsibilities and execution methods of party organizations in the decision-making, implementation, supervision of the enterprises, thus allowing the party organization becoming an integral part of corporate governance structure. We have to capitalize on the leadership and political core of the party organizations, and lead the ideological and political work of enterprises. The Party's Committee shall support the board of directors, the board of supervisors and the management to perform their duties according to law, so as to ensure that the guidelines and policies of the party and the state shall be implemented. As advised by the PRC Legal Advisors, the Board confirms and the Sponsor concurs that the Board shall strictly exercise its independent management roles and perform its obligations in accordance with the Articles of Association and related laws and regulations, and such decision made by the Board of the Directors shall not overlap with, or replaced or superseded by the Party's Committee in any event because the Party's Committee is not a governing body of our Company as authorizied by the Shareholders according to the Company Law and the Articles of Association. The Party's Committee of our Company mainly assumes the following responsibilities:

(i) providing guidance for our Company in its business operation, development and reform to ensure our Company conduct business and further grow in line with general principles set forth in applicable PRC laws and regulations as well as requirements and decisions of the Party's Committee;

(ii) enhancing the organizational construction and team building of the Party's Committee and leading the culture building of our Company by the socialist core value system;

(iii) proactively promoting the latest policies and strategies of the PRC and the Communist Party of China, supporting different types of organizations within our Company to fulfill their functions independently in accordance with applicable laws and their respective constitutional documents, including organizations of general public, labour union and the communist youth league of our Company; and

(iv) supervising and supporting the Shareholder's general meetings, the Board, the board of Supervisors and the management team to fulfill their functions in accordance with applicable laws and regulations.

COMPENSATION OF THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

For the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by us to our Directors and Supervisors were approximately RMB1.0 million, RMB1.6 million, RMB2.2 million and RMB1.1 million, respectively.

Our Directors' and Supervisors' remuneration is determined with reference to salaries paid by comparable companies, their experience, their responsibilities and their performance.

The remuneration including salaries, fees, bonus and pension-defined contribution and benefits in kind (if applicable) received by the top five highest paid individuals (including Directors and Supervisors) for the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 were approximately RMB2.1 million, RMB2.6 million, RMB3.3 million and RMB1.1 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest-paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

None of our Directors or Supervisors waived any remuneration for any of the last three years. Save as disclosed above, no other payments have been paid, or are payable, by us or any of our subsidiaries to our Directors, Supervisors or the five highest-paid individuals during the Track Record Period.

Under the remuneration policy of our Company, the remuneration committee will consider factors such as salaries paid by comparable companies, tenure, commitment, responsibilities and performance of our Directors, Supervisors and the senior management as the case may be, in assessing the amount of remuneration payable to our Directors, Supervisors and such employees. It is estimated that under the arrangements currently in force, the aggregate remuneration payable to our Directors and Supervisors for the year ending December 31, 2018, is estimated to be approximately RMB1.4 million and RMB0.6 million, respectively.

COMPLIANCE ADVISOR

We have appointed China Tonghai Capital Limited as our compliance advisor, pursuant to Rule 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, China Tonghai Capital Limited will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. China Tonghai Capital Limited will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing.

CORPORATE GOVERNANCE

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon Listing.

For details of corporate governance measures to manage any potential conflict of interest with our Controlling Shareholders, please see the paragraph headed "Relationship with our Controlling Shareholders — Measures to Eliminate Potential Competition upon Listing — Corporate Governance Measures."

SHARE CAPITAL

The share capital of our Company as of the Latest Practicable Date and immediately before the completion of the Global Offering is set out as follows:

Description of Shares	*Number of Shares*	*Approximate percentage of total share capital*
Domestic Shares	707,518,500	87.83%
Unlisted Foreign Shares[(1)]	98,039,200	12.17%
Total share capital	805,557,700	100%

Note:

(1) The 98,039,200 Unlisted Foreign Shares were held by China Power. As of the Latest Practicable Date, we understand that the Unlisted Foreign Shares held by China Power will not be converted into H Shares upon the completion of the Global Offering, unless otherwise allowed under the then PRC laws and regulations or approved by CSRC or other competent authorities where applicable. Our PRC Legal Advisors, Jingtian & Gongcheng have advised us that China Power enjoys the same rights as holders of Domestic Shares and the 98,039,200 Unlisted Foreign Shares held by China Power and Domestic Shares will rank *pari passu* with each other in all aspects save and except that it may:

(i) request us to pay dividends (which are calculated and declared in Renminbi) in foreign currencies; and

(ii) in the event of the winding-up of our Company, remit its share in our surplus assets (if any) in foreign currencies out of the PRC in accordance with the applicable foreign exchange laws and regulations of the PRC.

Assuming the Over-allotment Option is not exercised at all, the share capital of our Company immediately after completion of the Global Offering will be as follows:

Description of Shares	*Number of Shares*	*Approximate percentage to total share capital*
Domestic Shares	707,518,500	65.85%
Unlisted Foreign Shares	98,039,200	9.13%
H Shares to be issued under the Global Offering	268,800,000	25.02%
Total	1,074,357,700	100%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately after completion of the Global Offering will be as follows:

Description of Shares	*Number of Shares*	*Approximate percentage to total share capital*
Domestic Shares	707,518,500	63.47%
Unlisted Foreign Shares	98,039,200	8.80%
H Shares to be issued under the Global Offering	309,120,000	27.73%
Total	1,114,677,700	100%

OUR SHARES AND RANKING

Domestic Shares, Unlisted Foreign Shares and H Shares are all ordinary shares in the share capital of our Company. However, H Shares may only be subscribed for by, and traded in Hong Kong dollars between, qualified domestic institutional investors, legal or natural persons of Hong Kong, Macau, Taiwan or any country other than the PRC. Domestic Shares, on the other hand, may only be subscribed for by, and traded between, qualified foreign institutional investors, legal or natural persons of the PRC (other than Hong Kong, Macau and Taiwan). All dividends in respect of H Shares are to be declared in Renminbi and paid by our Company in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be declared and paid by our Company in Renminbi. All of the existing Domestic Shares and Unlisted Foreign Shares are held by eight existing Shareholders. Upon the approval of the relevant regulatory authorities of the PRC and Hong Kong, the Domestic Shares may be converted into H Shares.

As advised by our PRC Legal Advisors, Jingtian & Gongcheng, Unlisted Foreign Shares and Domestic Shares are a single class of Shares and the holders of Unlisted Foreign Shares and the holders of Domestic Shares are a single class of Shareholders (particularly in respect of their rights to attend and vote at general meetings and class meetings and to receive notice of general meetings and class meetings). H Shares and Domestic Shares are regarded as different classes of Shares under the Articles of Association. Save as the despatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different parts of the register of shareholders, the method of share transfer and the appointment of dividend receiving agents circumstances under which general meeting and class meeting are required, which are all provided for in the Articles of Association and summarised in Appendix V to this prospectus, the Domestic Shares, Unlisted Foreign Shares and H Shares will rank *pari* *passu* with each other in all aspects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares and Unlisted Foreign Shares is subject to restrictions imposed by PRC laws from time to time.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by a company prior to the Hong Kong Public Offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Conversion of Unlisted Shares

Upon Listing, we will have two classes of ordinary Shares, namely, (i) H Shares and (ii) Domestic Shares and Unlisted Foreign Shares which are not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes (but without the necessity of Shareholders' approval by class) shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained (the "Arrangement"). In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. The Arrangement applies only to unlisted Shares. All of our Domestic Shares are subject to the Arrangement and may be converted into H Shares upon the approval of the relevant regulatory authorities, including the CSRC and the Stock Exchange.

If any of our unlisted Shares are to be converted and traded as H Shares on the Stock Exchange, such conversion will be subject to the approval of the relevant PRC regulatory authorities including the CSRC. Approval of the Stock Exchange is required for the listing of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No Shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion and transfer.

Mechanism and Procedure for Conversion

After all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditional on (a) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due despatch of H Share certificates; and (b) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of our Shareholders currently proposes to convert any of the unlisted Shares held by it into H Shares.

REGISTRATION OF SHARES NOT LISTED ON OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register at its shares that are not listed on the oversea stock exchange with China Securities Depository and Clearing Corporation Limited within 15 working days upon listing.

So far as our Directors are aware, each of the following persons will, immediately following completion of the Global Offering (without taking into account the exercise of the Over-allotment Option), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings:

Shareholder	Class	Nature of interest	Number of Shares held as of the Latest Practicable Date	Approximate percentage of shareholding in the total share capital of our Company as of the Latest Practicable Date(1)	Number of Shares held after the Global Offering	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering(2)	Approximate percentage of shareholding in the total share capital of our Company after the Global offering(3)
Sichuan Development Co.(4)	Domestic Shares	Beneficial owner and interest of controlled corporations	419,336,000	52.06%	419,336,000	52.06%	39.03%
Hydropower Group	Domestic Shares	Beneficial owner	394,398,400	48.96%	394,398,400	48.96%	36.71%
Energy Investment Group(4)	Domestic Shares	Interest of controlled corporations	394,398,400	48.96%	394,398,400	48.96%	36.71%
China Power	Unlisted Foreign Shares	Beneficial owner	98,039,200	12.17%	98,039,200	12.17%	9.13%
Three Gorges Capital	Domestic Shares	Beneficial owner	98,039,200	12.17%	98,039,200	12.17%	9.13%
Gao County State-owned Assets Co.	Domestic Shares	Beneficial owner	92,406,000	11.47%	92,406,000	11.47%	8.60%
Yibin State-owned Assets Co.	Domestic Shares	Beneficial owner	65,359,500	8.11%	65,359,500	8.11%	6.08%

Notes:

(1) The calculation is based on the total number of 805,557,700 Shares in issue as of the Latest Practicable Date.

(2) The calculation is based on the total number of 707,518,500 Domestic Shares and Unlisted Foreign Shares in issue immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).

(3) The calculation is based on the total number of 707,518,500 Domestic Shares and Unlisted Foreign Shares and the total number of 268,800,000 H Shares (i.e. a total of 1,074,357,700 Shares) in issue immediately after completion of the Global Offering (without taking into account the exercise of the Over-allotment Option).

(4) Hydropower Group directly holds 394,398,400 Domestic Shares upon the Listing. Hydropower Group is wholly owned by Energy Investment Group and Energy Investment Group is in turn held by Sichuan Development Co. as to 67.8%. Therefore, Energy Investment Group is deemed to be interested in 394,398,400 Shares held by Hydropower Group upon the Listing pursuant to Part XV of the SFO, and Sichuan Development Co. is deemed to be interested in 394,398,400 Domestic Shares held by Hydropower Group pursuant to Part XV of the SFO upon the Listing.

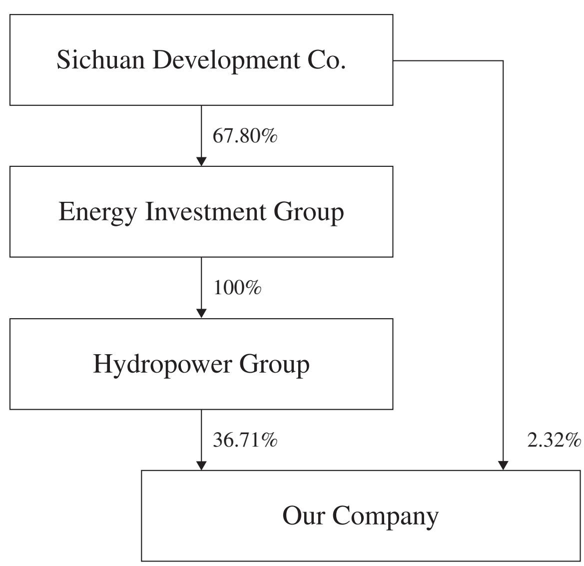
Sichuan Development Co. directly holds 24,937,600 Domestic Shares upon the Listing.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering (without taking into account the exercise of the Over-allotment Option), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Controlling Shareholders, namely, Hydropower Group, Energy Investment Group and Sichuan Development Co., were together entitled to directly or indirectly exercise or control the exercise of approximately 52.06% of the voting rights at the general meetings of our Company. Immediately following the completion of the Global Offering and without taking into account of any H Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option, our Controlling Shareholders will together be entitled to exercise or control the exercise of approximately 39.03% of the voting rights at the general meetings of our Company, respectively, and therefore, they will continue to be our Controlling Shareholders.

Set forth below is the shareholding chart of our Controlling Shareholders upon the Listing assuming the Over-allotment Option is not exercised at all.



IMPLICATIONS UNDER RULE 8.10 OF THE LISTING RULES AND DELINEATION OF BUSINESS

Principal Business of Our Group

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. We derive substantial revenue from our power business. We are the only authorized regional power supplier in the designated statutory area that cover parts of the Seven Counties and Districts and certain of the surrounding areas, which we hereinafter refer to as "our power supply service area". For further details of the principal business of our Group, please refer to the section headed "Business" in this prospectus.

Principal Businesses of Our Controlling Shareholders

Hydropower Group is a limited liability company established under the laws of the PRC on December 17, 2004 with a registered capital of RMB2,828,180,000. Hydropower Group is mainly engaged in power supply and construction, operation and maintenance of power grid mainly in Mianyang City (綿陽市), Liangshan Yi Autonomous Prefecture (涼山彝族自治州) and Dazhou City (達州市) of Sichuan Province. As at December 31, 2017, the total capacity of hydropower generator units owned by Hydropower Group (excluding that of our Group) amounted to approximately 279,090 kW and the length of electricity lines over 10 kV (excluding those of our Group) amounted to approximately 31,205 km. The total power related assets of Hydropower Group (excluding that of our Group) as at December 31, 2017 was approximately RMB19,912 million and the power related revenue of Hydropower Group (excluding that of our Group) for the year ended December 31, 2017 was approximately RMB2,485 million. In particular, Hydropower Group, as the platform company authorized by the People's Government of Sichuan Province to implement relevant policies of rural power grid construction, represents the People's Government of Sichuan Province in investing in, operating and managing the rural power grid construction projects in Sichuan Province.

Energy Investment Group is a limited liability company established under the laws of the PRC on February 21, 2011 with a registered capital of RMB9,316,000,000. Energy Investment Group is principally engaged in investment covering various industries including power, chemical, tourism, natural gas, coalbed gas and shale gas, and new technology and materials.

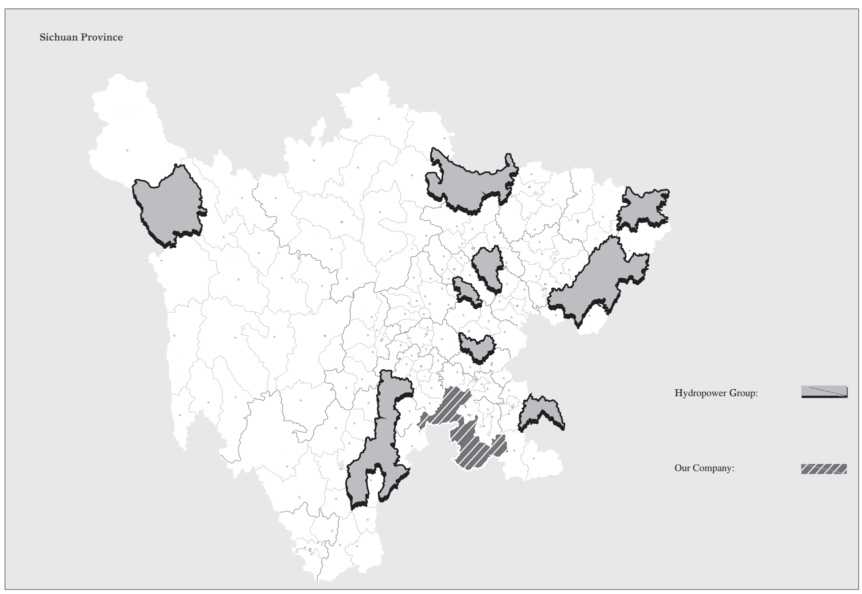
Sichuan Development Co. is a wholly state-owned enterprise incorporated in the PRC with limited liability on December 24, 2008 with a registered capital of RMB80,000,000,000. Sichuan Development Co. is principally engaged in the investment, financing, operation and management of assets and its investment covers various industries including transportation, energy, water, tourism, agriculture, development of predominant resources and environment and other areas authorized by the People's Government of Sichuan Province.

No Competition between our Group and our Controlling Shareholders

Our Group's principal business does not compete with that of our Controlling Shareholders as explained below:

(A) Our Group and Hydropower Group

(a) *sales to end customers.* Power supply is a licensed business in the PRC. In addition, according to the Article 25 of the Electric Power Law of the PRC (《中華人民共和國電力法》), there should be only one power supply enterprise in each electricity service area. For further details, please see "Regulatory Environment — Regulations on the Power Industry". As such, electricity supply is regionally exclusive in nature. Our Group has obtained the Power Supply Business Licenses to exclusively transmit, distribute and sell electricity in the Seven Counties and Districts and certain of the surrounding areas. In other words, we are the only authorized regional power supplier in the designated statutory area that cover parts of the Seven Counties and Districts and certain of the surrounding areas. Hydropower Group does not hold the Power Supply Business Licenses for our power supply service area and therefore it is not allowed to supply electricity in our power supply service area under the current PRC legislation. Further, Hydropower Group issued an undertaking on February 23, 2017 in favour of our Company that it will not make application for the Power Supply Business Licenses in our power supply service area, including the Seven Counties and Districts. The following map sets forth an overview of the power supply regions of our Group and Hydropower Group as of December 31, 2017.



(b) *sales to State Grid Company.* As disclosed in the Business section, we also sell our surplus electricity to State Grid Company. State Grid Company has set up electricity supply subsidiaries in each of the administrative areas of Sichuan Province, including Yibin City. Our Group's power grid also connects with the electricity supply subsidiary of State Grid Company in Yibin City. The power grid of Hydropower Group and its associates (other than our Group) located in other counties in Sichuan Province does not and will not connect to the subsidiaries of State Grid Company in our power supply service area since Hydropower Group and its associates (other than our Group) do not hold the license to supply electricity in our power supply service area.

(B) Our Group and Energy Investment Group

Energy Investment Group is investment focused and does not hold any power supply licenses which allow them to engage in the same business as us. The electricity related entities invested by Energy Investment Group (other than our Company and Hydropower Group) are only engaged in power generation rather than power supply but none of their power generation plants are located in our power supply service area.

By the end of 2017, Energy Investment Group and its subsidiaries (other than our Company and Hydropower Group) owned (i) 28 hydropower plants with a total installed capacity of approximately 51.436 MW located in Ya'an City, Aba Tibetan Autonomous Prefecture, Ganzi Tibetan Autonomous Prefecture, Liangshan Yi Autonomous Prefecture, Mianyang City and other places in Sichuan Province; (ii) five wind power plants with a total installed capacity of approximately 31.65 MW located in Huidong County and Yanbian County, Liangshan Yi Autonomous Prefecture, Sichuan Province; (iii) three biological power plants with a total installed capacity of approximately 5.1 MW located at Suining City, Yuechi County, Guang'an City and Zigong City, Sichuan Province; and (iv) one photovoltaic plant with an installed capacity of approximately 0.64 MW located in Yanbian County, Liangshan Yi Autonomous Prefecture, Sichuan Province.

(C) Our Group and Sichuan Development Co.

Sichuan Development Co. is principally engaged in investment, financing, operation and management of assets and does not hold any power supply licenses which allow them to engage in the same business as us. The electricity related entities invested by Sichuan Development Co. (other than our Company, Hydropower Group and Energy Investment Group) are only engaged in power generation rather than power supply but none of their power generation plants are located in our power supply service area.

By the end of 2017, Sichuan Development Co. and its subsidiaries (other than our Company, Hydropower Group and Energy Investment Group) owned (i) six hydropower plants with a total installed capacity of approximately 510.4 MW located in Pingchang County, Bazhong City, Sichuan Province and Danba County and Kandding County, Ganzi Tibetan Autonomous Prefecture, Sichuan Province; (ii) one wind power plant with an installed capacity of approximately 47.5 MW located in Hanyuan County, Ya'an City, Sichuan Province; (iii) one photovoltaic plant with an installed capacity of approximately 100 MW located in Yanyuan County, Liangshan Yi Autonomous Prefecture, Sichuan Province; and (iv) nine navigation power junctions with a total installed capacity of approximately 805 MW located at Cangxi County, Guangyuan City, Langzhong County, Nanchong City, Yilong County, Guang'an City, Peng'an County, Nanchong City, Gaoping District, Nanchong City, Shunqing District, Nanchong City, Wusheng County, Guang'an City and Dachuan District, Dazhou City, Sichuan Province.

EXCLUDED RURAL POWER GRID PROJECTS

Background Information on the Excluded Rural Power Grid Projects

Rural Power Grid

The core assets of our power business are hydropower plants and power grid. Our Group supplies (i) power generated by its hydropower plants; and (ii) electricity purchased by our Group to the end-users in our power supply service area through power grid. Power grid is an interconnected network for distributing electricity from power generation stations or plants to end-users. Power grid in the PRC can be categorized into urban power grid and rural power grid based on the location of the power grid assets and electricity consumption end-users.

Rural power grid, as defined under the New Round of Management Regulations on Rural Power Grid Transformation and Upgrading Projects (《新一輪農村電網改造升級項目管理辦法》) (the "Management Regulations") issued by the NDRC on March 15, 2016, is the power grid equipment with transmission voltage that is under 110 kV or below, which provides electricity services for rural household living in and rural industrial production at county-level administrative regions in the PRC. For further details of the policies on power grid in the PRC, please see the paragraph headed "Regulatory Environment — Regulations on the Power Industry — Rural Power Grid".

Rural Power Grid Projects

Transformation and upgrading of the rural power grid projects, also known as rural power grid construction projects, include the construction of transformer substations, electricity circuits and other rural power grid equipment, as well as the partial or overall construction, capitalization and equipment updates for rural power grid under operation.

The construction coverage of rural power grid of remote areas in the midwest of the PRC remains limited and some existing rural power grid cannot satisfy the rapidly increasing demand for electricity. Due to the high cost of electricity supply and the low return on investment because of the disperse distribution of end-users in rural areas, complicated geographic locations and low electricity load, rural power grid construction projects require governmental special support and guidance in order to improve the electricity coverage in rural areas. The rural power grid construction projects are policy-directed projects for the benefits of people (惠民工程) implemented by and under the guidance of the PRC government in order to improve the electricity consumption level and living standards in the rural areas of the PRC. Rural power grid construction projects conducted by the PRC government in the relevant areas were basically phased in three stages commencing from 1998 ("Rural Power Grid Construction Projects Phase I"), 2004 ("Rural Power Grid Construction Projects Phase II") and 2011 ("Rural Power Grid Construction Projects Phase III").

Construction Funds Flow for the Rural Power Grid Projects

According to the Notice on Facilitating the Construction (Transformation) of Rural power Grid (Ji Dian [1998] No. 73)* (《國家發展計劃委員會關於加快農村電網建設(改造)工作有關問題的通知》(計電[1998]73號)), the rural power grid construction projects shall be implemented under the system of project capital funds, pursuant to which, project capital funds from electricity construction funds of the central governmental fiscal appropriation and electricity enterprises' own funds shall be no less than 20% of the total investment for rural power grid projects and the remaining funds are to be settled by loans with subsidy interests from banks arranged by the PRC government.

As confirmed by our Directors and our PRC Legal Advisors, according to the Management Regulations of Collection and Use of the Rural Power Grid Transformation Repayment (Cai Qi [2001] No. 820)* (《農網還貸資金徵收使用管理辦法的通知》(財企[2001]820號)) issued by the Finance Bureau of the PRC on 17 December 2001, the effective period of which was extended on January 8, 2007, "One Province Multiple Borrowers (一省多貸)" policy is applicable to, amongst other provinces of the PRC, Sichuan Province. The borrowers in Sichuan Province designated by the local government are Hydropower Group and the State Grid Company. Accordingly, Hydropower Group, as one of the two borrowers in Sichuan Province, acts as the borrower for the special-purpose loans and is responsible for the repayment of such loans. As of the Latest Practicable Date, the sources of the construction funds typically comprised of 20% from fiscal appropriation from the government granted to Hydropower Group and 80% from special-purpose loans granted by the Agricultural Bank of China to Hydropower Group, and Hydropower Group is entitled to conduct rural power grid construction projects in 31 counties in Sichuan Province.

Hydropower Group assigned funds it received from the PRC government and the special-purpose loans for the rural power grid projects based in the Seven Counties and Districts (the "Construction Funds") to the eight bank accounts set up by our Company and our subsidiaries for and on behalf of Hydropower Group, that are specially used for the reserves, utilization and accounting of the Construction Funds. Our Directors confirm that the eight bank accounts were opened under our name only for administrative convenience because the Construction Funds are used for the construction of Excluded Rural Power Grid Projects located in the Seven Counties and Districts where we have business. The Construction Funds in the eight bank accounts belong to Hydropower Group. Hydropower Group has actual rights of using, obtaining profits from and disposing the Construction Funds. The arrangement between Hydropower Group and us in relation to the eight bank accounts will be terminated prior to the Listing.

Rural Power Grid Relating to Us

As confirmed by our PRC Legal Advisors, according to Notice on the Implementation Plan on the Operation and Development of the Provincial Hydropower Group and the Disposal of the Rural Power Grid Assets (Chuan Fu Fa [2007] No. 15)* (關於省水電集團運作與發展及農網資產處置實施方案的通知 (川府發[2007]15號)), the rural power grid assets constructed by Hydropower Group with the fiscal appropriation and the loans (or the special-purpose loans) are regarded as the provincial level state-owned assets and Hydropower Group shall, on behalf of the People's Government of Sichuan Province, invest in, operate and manage such assets.

As of the Latest Practicable Date, rural power grid assets located in the Seven Counties and Districts can be categorized into two types:

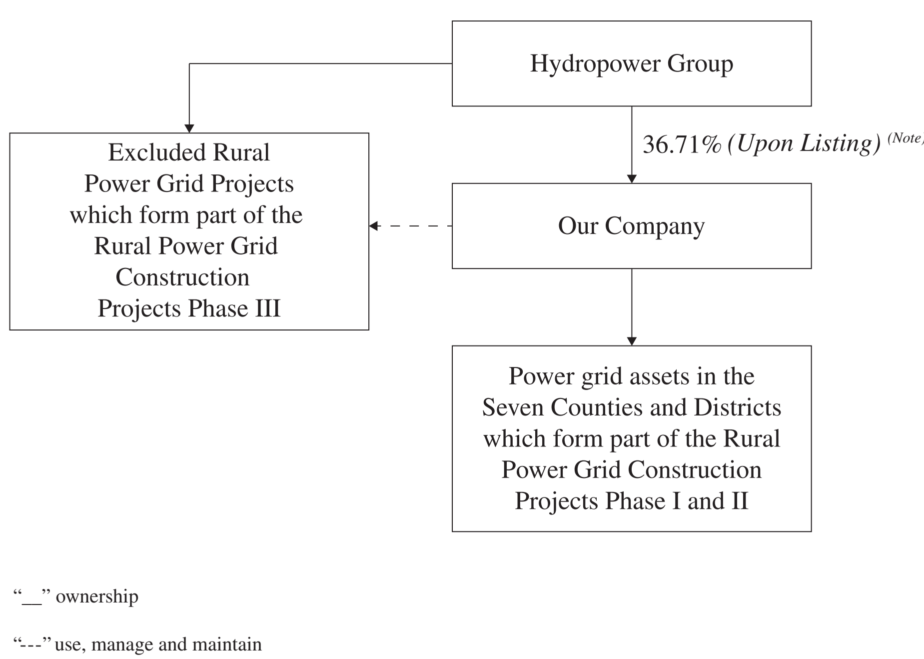
Rural Power Grid Injected or Transferred by Hydropower Group to our Company

Hydropower Group initially injected rural power grid assets located in the Seven Counties and Districts to our Company in September 2011 upon the establishment of our Company. Hydropower Group, as one of our Founders, also transferred construction funds for rural power grid amounting to approximately RMB878,000,000 to us. Such rural power grid construction funds have been recognized as State capital reserves benefits (國家獨享資本公積) and such nature will remain unchanged after the Listing. The rural power grid assets injected or transferred to our Company by Hydropower Group formed part of the Rural Power Grid Construction Projects Phase I and Rural Power Grid Construction Projects Phase II because these two phases were completed as a whole.

Excluded Rural Power Grid Projects

Except for the rural power grid assets injected or transferred to our Company as disclosed above, the remaining rural power grid projects located in the Seven Counties and Districts are still owned by Hydropower Group (hereinafter referred to as "Excluded Rural Power Grid Projects"). Excluded Rural Power Grid Projects form part of the Rural Power Grid Projects Phase III. As at the Latest Practicable Date, Rural Power Grid Projects Phase III has not been completed as a whole. During the Track Record Period, (i) we had minimal usage of the Excluded Rural Power Grid Projects since the majority of them were not completed and connected with our power grid network in the Seven Counties and Districts; and (ii) Hydropower Group authorized us to manage and maintain the Excluded Rural Power Grid Projects because we are familiar with electricity demand and power grid operation in the Seven Counties and Districts.

Please see below the chart for illustration.



Note: without taking into account any H Shares to be issued upon any exercise of the Over-allotment Option.

The Reasons for not Injecting the Excluded Rural Power Grid Projects into our Group

(a) Rural Power Grid Construction Projects Phase III has not been completed as a whole

Hydropower Group, as the platform company authorized by the People's Government of Sichuan Province to implement relevant policies of rural power grid construction, represents the People's Government of Sichuan Province in investing in, operating and managing the rural power grid construction projects in Sichuan Province. In respect of the injection or transfer of assets in such rural power grid construction projects to local electricity companies, Hydropower Group generally considers numerous factors, including, but not limited to, the relevant policies relating to State-owned assets, the conditions of rural power grid construction projects and the historical development of relevant local electricity enterprises. Hydropower Group has no current intention to inject any part of the Rural Power Grid Construction Projects Phase III in Sichuan Province into our Group or any other electricity companies in Sichuan Province because the Rural Power Grid Construction Projects Phase III has not been completed as a whole and it will continue to, on behalf of the People's Government of Sichuan Province, invest in, operate and manage the Rural Power Grid Construction Projects Phase III with its unified allocation of resources for good State-owned assets value maintenance.

The above treatment on the Excluded Rural Power Grid Projects have been recognized by Sichuan SASAC, the competent authority governing State-owned assets including rural power grid assets in Sichuan Province in writing on September 8, 2017. As at June 30, 2018, the Rural Power Grid Construction Project Phase III located in the Seven Counties and Districts included 48 new construction projects, among which only 34 had been completed; and 34 technology upgrading projects, among which only 15 had been completed. We expect that the Rural Power Grid Construction Project Phase III can be completed as a whole by the year of 2020 if no additional rural power construction work is assigned by the PRC government.

(b) The Excluded Rural Power Grid Projects do not constitute competition against our Company

As disclosed above, electricity supply is a licensed business and is regionally exclusive under the current PRC legislation. Our Group has obtained the Power Supply Business Licenses to distribute and sell electricity in our power supply service area while Hydropower Group does not, thus Hydropower Group is not able to engage in the same business as us in our power supply service area under the current PRC laws and regulations.

Hydropower Group issued a confirmation on February 23, 2017, pursuant to which Hydropower Group has undertaken that it will neither utilize the Excluded Rural Power Grid Projects to sell electricity in the Seven Counties and Districts by itself nor through any third parties other than our Company.

(c) We are able to operate independently with the existing power grid owned by us

We can operate independently without using the Excluded Rural Power Grid Projects on the basis that:

(1) Our Group was able to supply and distribute power with our then owned assets in our power supply service area independently prior to 2011 when the Rural Power Grid Construction Projects Phase III has not yet commenced;

(2) The Rural Power Grid Construction Projects Phase III is policy-directed projects for the benefits of people (惠民工程) in rural areas. They mainly served as back up in the event of malfunction of relevant power grid or to enhance the stability of the power supply and distribution and are not key to the Company's operation according to the Power Grid Report. Unlike our Group's owned power grid assets, the Excluded Rural Power Grid Projects do not connect to the State Grid or Southern Grid directly as they mainly scatter in remote rural power areas for residential electricity in such areas where the population density is low.

(3) We have engaged the Power Grid Consultant to review our power grids and the Excluded Rural Power Grid Projects. According to the Power Grid Report, for the three years ended December 31, 2017 and the six months ended June 30, 2018, the electricity passing through the Excluded Rural Power Grid reached approximately 54,000 Mkh, 58,000 Mkh, 65,000 Mkh and 35,900 Mkh, respectively, which accounted for a small portion of our electricity supply, ranging only approximately from 2% to 3%. Even in the event that all the Excluded Rural Power Grid Projects are removed, our Group's operation and stability would only be slightly affected. The number of the rural household to be affected only accounted for approximately 4.84% of the total households in the Seven Counties and Districts and the electricity losses only accounted for approximately 0.75% of total amount of electricity sold during the six months ended June 30, 2018 in the Seven Counties and Districts.

Based on the above, our Directors believe that the power grid assets owned by our Group are complete and we can operate independently from Hydropower Group and its associates.

(d) Compliance with the Listing Rules

The exclusion of the Excluded Rural Power Grid Projects is basically policy driven. Our Company is of the view that we are able to fulfill the profit requirement under Rule 8.05(1)(a) of the Listing Rules either (i) assuming that the financials resulting from the use of the Excluded Rural Power Grid Projects during the Track Record Period had been excluded; or (ii) assuming that the Excluded Rural Power Grid Projects had been injected into our Group.

In addition, according to the permission and approval documents relating to Excluded Rural Power Grid Projects and the written confirmation provided by Hydropower Group dated February 23, 2017, and to our reasonable enquiry, we are of the view that the Excluded Rural Power Grid Projects have been operating in accordance with the PRC laws and regulations in all the material aspects.

Future Arrangement in relation to the Excluded Rural Power Grid Projects

We have entered into the Rural Power Grid Assets Management and Maintenance Agreement and Rural Power Grid Assets Usage Agreement with Hydropower Group for the usage, management and maintenance of the Excluded Rural Power Grid Projects. For further details of such arrangement in relation to the Excluded Rural Power Grid Projects, please see the section headed "Connected Transactions" in this prospectus.

MEASURES TO ELIMINATE POTENTIAL COMPETITION UPON LISTING

The Non-Competition Agreement

Our Controlling Shareholders have entered into the Non-Competition Agreement in favor of our Company, pursuant to which each of them has irrevocably undertaken to us (for ourselves and for the benefit of our subsidiaries) that each of them would not, and would procure each of its respective associates (except any member of our Group) would not, during the Restricted Period set out below, directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company, including but not limited to, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business").

The Restricted Period stated in the Non-Competition Agreement refers to the period during which (i) the H Shares of our Company remain listed on the Stock Exchange; (ii) in relation to our Controlling Shareholders, the relevant Controlling Shareholders or any of their associate still hold directly or indirectly an equity interest in our Company and (iii) our Controlling Shareholders and/or their associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company (the "Restricted Period").

Option to Acquire the Excluded Rural Power Grid Projects and Other Power Business

Pursuant to the Non-Competition Agreement, Hydropower Group agreed to grant an irrevocable option (the "Option") to us to from time to time acquire any or all of the Excluded Rural Power Grid Projects and the power generation and power supply business of Hydropower Group in Sichuan Province (other than our power supply service area) ("Other Power Business") at a consideration to be evaluated by a third party appraiser according to PRC laws and regulations, the exercise of which shall be approved by our independent non-executive Directors. Our Group expects that the following factors would be taken into consideration when making such determination:

(i) completion of the Rural Power Grid Construction Projects Phase III as a whole;

(ii) the development and status of construction of the Excluded Rural Power Grid Projects;

(iii) the financial positions and performance of the Excluded Rural Power Grid Projects and Other Power Business;

(iv) our financial condition;

(v) our business expansion plan; and

(vi) such other relevant factors or considerations as our independent non-executive Directors consider necessary or appropriate.

For this purpose, Hydropower Group undertakes to provide relevant information as required by our independent non-executive Directors, including but not limited to the construction status, approval licenses and financial results of the Excluded Rural Power Grid Projects and Other Power Business. Our exercise of the Option shall also subject to compliance by us and Hydropower Group with all PRC applicable laws as well as the applicable requirements of the Listing Rules.

Right of First Refusal

Pursuant to the Non-Competition Agreement, Hydropower Group agreed to grant an irrevocable right of first refusal (the "Right of First Refusal") to us under which, in the event Hydropower Group intends to transfer its interest in the Excluded Rural Power Grid Projects and Other Power Business to any third party, our Group has the right of first refusal to acquire the Excluded Rural Power Grid Projects and Other Power Business at a consideration to be evaluated by a third party appraiser according to the then applicable laws and regulations.

Options for New Business Opportunities

Each of our Controlling Shareholders has undertaken to procure that, during the Restricted Period, if any business opportunity is offered to each of our Controlling Shareholders or its associates which falls within the scope of the Restricted Business, the relevant Controlling Shareholder will immediately cause its associates to immediately give notice (the "Offer Notice") to us of such business opportunity, and will assist our Company (and/or its subsidiaries) to obtain such business opportunity on the same terms as those offered to it or its associates, or on more favorable terms or on terms acceptable to our Company (and/or its subsidiaries).

Our Controlling Shareholders will be entitled to pursue such business opportunity only if (i) our Controlling Shareholders and/or their associates have given the Offer Notice to us in relation to the terms and detailed information with respect to its investment, participation and engagement in and/or operation of such business opportunity; (ii) such business opportunity as offered to our Controlling Shareholders and/or their associates has first been offered to us; and (iii) we, after review and approval by our independent non-executive Directors or at any general meeting of the Shareholders (if applicable), in which our Controlling Shareholders shall abstain from voting, have resolved that we do not intend to invest in, conduct, operate or participate in such business opportunity and has made relevant written confirmation to the relevant Controlling Shareholders, the major terms on which our Controlling Shareholders and/or their associates invest in, conduct, operate or participate in such business opportunity subsequently will not be more favorable than those terms offered to us.

For any new business opportunity of our Controlling Shareholders, which has been offered to, but has not been taken up by us and has been retained by our Controlling Shareholders, and falls within the scope of the Restricted Business (the "New Business"), each of our Controlling Shareholders has undertaken to grant us the option (the "Options for Acquisition of New Business") which is exercisable at any time during the Restricted Period, subject to relevant applicable laws and regulations, to purchase at one or more times any equity interest, assets or other interests which form part/or all of the New Business, or to operate the New Business by way of, including but not limited to, management outsourcing, lease or subcontracting. However, if a third party has the pre-emptive rights in accordance with applicable laws and regulations and/or a prior legally binding document (including but not limited to articles of association and shareholders' agreement), our Options for Acquisition of New Business shall be subject to such third-party rights. In this case, our Controlling Shareholders will at its best efforts procure the third party to waive its pre-emptive rights.

Each of our Controlling Shareholders shall procure its respective associates (other than us) to comply with the Options for Acquisition of New Business granted to us by the relevant Controlling Shareholder.

The consideration shall be determined through the negotiation between the parties under the fair and reasonable principle, according to the valuation conducted by a third-party professional valuer and complying with the mechanism and procedure provided by the applicable laws and regulations.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the Options for Acquisition of New Business. When considering whether or not to exercise the Options for Acquisition of New Business, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

Each of our Controlling Shareholders has undertaken that, during the Restricted Period, if it intends to transfer, sell, lease or license or otherwise transfer or permit to use any of the interest in the New Business to a third party, it shall notify us by written notice (the "Selling Notice") in advance. The Selling Notice shall attach the terms of the transfer, sale, lease or license and any information which may be reasonably required by our Company to make an informed decision. We shall have 30 days to replay after receiving the Selling Notice. Each of our Controlling Shareholders has undertaken that until it receives the reply from our Company, it shall not notify any third party of its intention to transfer, sell, and lease or license such New Business. If we decide not to exercise the pre-emptive rights (the "New Business Pre-emptive Rights") or if we do not reply within the agreed period, it shall be entitled to transfer, sell, lease or license the business to a third party pursuant to the terms stipulated in the Selling Notice.

Each of our Controlling Shareholders shall procure its respective associates (excluding our Company and our subsidiaries) to comply with the New Business Pre-emptive Rights.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the New Business Pre-emptive Rights. When our Controlling Shareholders and/or their associates deliver to us the Selling Notice, we will report to our independent non-executive Directors within seven days of receipt for their consideration. When considering whether or not to exercise the New Business Pre-emptive Rights, the independent non-executive Directors will form their views based on a range of factors, including but not limited to, business scale, business prospect, estimated profitability, investment value and permits and approval requirements.

Exceptions

In the event that our Board or general meetings of the Shareholders resolve(s) that it is appropriate for our Controlling Shareholders and/or their associates and us to jointly invest in, conduct, operate or participate in the business opportunity offered by such third party as mentioned under the paragraph headed "Options for New Business Opportunities" above, and upon our written invitation, our Controlling Shareholders and/or their associates may jointly invest in, conduct, operate or participate in the business opportunity with us subject to the compliance with applicable laws and regulations, including the Listing Rules and any requirement from the Stock Exchange (including but not limited to the obtaining of approval from the independent non-executive Directors and/or our independent Shareholders, as applicable).

In addition, in any one of the following circumstances, our Controlling Shareholders and/or their associates may hold or own interest in business identical with or similar to the Restricted Business, as well as shares or any other securities of any company listed on any stock exchange recognized by the laws of the relevant countries (including a stock exchange recognized by the laws and regulations of the PRC) (the "Listed Company"):

(a) the latest audited financial statements of the Listed Company prepared in accordance with the relevant accounting standards and systems (if the Listed Company has prepared unconsolidated financial statements and consolidated financial statements simultaneously, then such consolidated financial statements) reveal that the turnover of those business identical with or similar to Restricted Business accounts for no more than 10% of the total consolidated turnover of the Listed Company, or the net assets of such business accounts for no more than 10% of the total consolidated assets of the Listed Company; or

(b) the total number of the shares held by our Controlling Shareholders and/or their associates in aggregate does not exceed 5% of the total issued share capital of such Listed Company, and our Controlling Shareholders and/or their associates are not entitled to appoint a majority of the directors of such Listed Company, and at any time there should exist at least another shareholder of the Listed Company whose shareholding in such Listed Company is higher than the total number of shares held by our Controlling Shareholders and/or their associates in aggregate.

Further Undertakings

Each of our Controlling Shareholders has further undertaken that:

(a) it shall not connect to the State Grid Company in the regions where we supply power;

(b) upon the request of our independent non-executive Directors, it will promptly provide all information necessary for our independent non-executive Directors to review our Controlling Shareholders' and its associates' (excluding our Company and its subsidiaries) compliance with and enforcement of the Non-competition Agreement;

(c) we may disclose the decision in relation to the Option, the Right of First Refusal and the Options for New Business Opportunities made by the independent non-executive Directors relating to the compliance with and enforcement of the Non-competition Agreement in our annual reports or by way of announcement; and

(d) it will make a declaration to us and our independent non-executive Directors annually regarding its compliance with the Non-Competition Agreement for us to disclose in our annual reports.

Corporate Governance Measures

Our Company will adopt the following corporate governance measures to manage any potential conflicts of interest with our Controlling Shareholders, its subsidiaries or entities controlled by it, and to safeguard the interests of our Shareholders:

- our independent non-executive Directors will review, at least on an annual basis or as requested by relevant regulatory authorities, the compliance with the Non-competition Agreement;

- we will disclose the decisions and related basis on matters reviewed by our independent non-executive Directors relating to the compliance and implementation of the Non-competition Agreement in the annual reports of our Company; and

- if our independent non-executive Directors consider that our Controlling Shareholders, any of their subsidiaries or an entity controlled by it, substantively competes or may substantively compete with us in any business, our Company will request our Controlling Shareholders to take such measures to eliminate such competition so that it will no longer constitute substantive competition or to prevent such potential substantive competition.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independent of our Controlling Shareholders and their associates upon Listing:

Management Independence

Our Board comprises three executive Directors, four non-executive Directors and four independent non-executive Directors. In addition, we have a senior management team who is responsible for the overall management of our Group. Please see the section headed "Directors, Supervisors and Senior Management — Senior Management" of this prospectus for details.

Set out below is a summary of the positions held by our management team in the Hydropower Group:

Name	Position in our Company	Position in the Hydropower Group
Mr. Zeng Yong	chairman of the Board and executive Director	director and chairman of the board of Hydropower Group

Mr. Zeng Yong is the chairman of the Board and an executive Director of our Company, and the chairman of the board of Hydropower Group. In respect of his role in the Hydropower Group, Mr. Zeng Yong is primarily responsible for, among other things, convening and presiding over the board meetings, exercising the right as the legal representative of Hydropower Group, while the implementation of the annual business plan and strategy, day-to-day management of business and operation of Hydropower Group is designated to the general manager of Hydropower Group. Mr. Zeng Yong is not the general manager of Hydropower Group and he has confirmed that he will devote sufficient time and efforts to our Group.

Save for the disclosed above, none of the Directors, Supervisors and senior management of our Company hold any directorship or senior management position in Hydropower Group.

Notwithstanding the above-mentioned overlapping director, our Directors believe we are capable of managing our business independently of our Controlling Shareholders after the Listing for the following reasons:

- each of our Directors, Supervisors and members of the senior management were appointed in accordance with the Articles of Association and relevant PRC laws and regulation. Our management personnel have clear reporting lines and the management team reports to our Board and our Board supervises and monitors the performance of our management team generally through the regular reports made by our general manager to our Board;

- there are sufficient non-overlapping independent non-executive Directors who are independent from our Controlling Shareholders and possess relevant experience to ensure that our Board is able to perform its functions properly;

- We have an independent senior management team with extensive experience and expertise in our business, to independently implement our Group's business plans and strategies in the daily operations. For further details, please see the paragraph headed "Directors, Supervisors and Senior Management — Senior Management";

- none of our Directors or Supervisors or members of the senior management has any shareholding interest in our Controlling Shareholders;

- each of our Directors is fully aware of his/her fiduciary duties as a Director of our Company which require, among other things, that he/she acts for the benefit and the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest; and

- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group, our Directors or their respective associates and our Controlling Shareholders, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Operational Independence

Our Directors are of the view that we own the core assets for our operation and we are fully capable of managing our cash flow independently and solely using our own assets to generate significant revenue , in particular, we do not need to rely on the Excluded Rural Power Grid Projects to operate our business, for further details of our operational independence from our Controlling Shareholder, please see the section headed "Relationship with our Controlling Shareholders — The Reasons for not Injecting the Excluded Rural Power Grid Projects into our Group — (c) We are able to operate independently with the existing power grid owned by us".

We have our own capability and personnel to conduct our business activities. Our Group has established our own organizational structure comprised of individual departments, each with specific area of responsibilities. We have also established a set of internal control procedures to facilitate the effective operation of our business.

Based on the above, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and their respective associates. Our Directors confirmed that our Group will not enter into any transactions of similar nature with our connected persons and his/her associates that will affect our operational independence after the Listing.

Financial Independence

Related Party Transactions

For details of the transactions between our Company and our Controlling Shareholders during the Track Record Period, please refer to the section headed "Financial Information — Material Related Party Transactions" of this prospectus.

Construction projects – We undertook certain construction projects awarded to us by our Controlling Shareholders and their associates. For each of the three years ended December 31, 2017 and for the six months ended June 30, 2018, the revenue derived from our undertaking of the contracting projects of Hydropower Group and its associates amounted to approximately RMB19.4 million, RMB84.2 million and RMB116.1 million and RMB17.8 million, respectively. Since we were awarded these projects through tender procedures in accordance with the applicable PRC laws and regulations and EECS business only contributed a small portion of our total revenue, we are of the view that we do not rely on our Controlling Shareholders.

Cash pool arrangement – We and Hydropower Group participated in a cash pool management provided by Bank of Shanghai since 2014. According to the cash pool management arrangement, our Group can overdraw bank overdrafts up to the limit of certain percentage of the total deposit balances of bank accounts in the cash pool. Such cash pool arrangement will be terminated before Listing.

Settlement agreement – Our Company advanced RMB87.94 million in aggregate to Hydropower Group for the construction of the Excluded Rural Power Grid Projects in 2011, 2014 and 2015. Such advance payment has been repaid to our Group by Hydropower Group in September 2017 pursuant to a settlement agreement.

State Capital Reserves Benefits (國家獨享資本公積)

After the establishment of our Company, Hydropower Group transferred the rural power grid construction funds amounting to approximately RMB878,000,000 to us with fiscal appropriation and unified loan funds, which Hydropower Group shall be responsible to repay after transfer of such funds to us. Such RMB878,000,000 was initially accounted as banking deposit of our Group. As advised by our PRC Legal Advisors, the legal title to the construction funds or the rural power grid projects/assets constructed by using such construction funds have been transferred to our Group and, we are not required to return such construction funds to Hydropower Group in the future.

As confirmed by our PRC Legal Advisors, Hydropower Group represents the People's Government of Sichuan Province to invest, operate and manage such rural power grid assets pursuant to the Notification on Operation and Development of Hydropower Group and Disposal and Implementation Proposal for Rural Power Grid Assets (Chuan Fu Fa [2007] No. 15)* (《省水電集團運作與發展及農網資產處置實施方案》的通知(川府發[2007]15號)) issued by the People's Government of Sichuan Province dated February 26, 2007. Sichuan SASAC, being the administrative authority of State-owned assets of Sichuan Province, issued a letter of approval dated November 1, 2016 and confirmed that such assets, being the construction funds amounting to RMB878,000,000, should be treated as the State capital reserves benefits.

Hydropower Group does not and will not enjoy any additional shareholder rights by reason of the rural power grid construction funds being categorised as State capital reserves benefits, in particular, it does not enjoy any special voting rights and privilege which is generally not available to our other Shareholders.

The State capital reserves benefits may be converted into the Shares of our Company, obtaining approval with two thirds or more affirmative votes at general meeting of our Company. Any Shareholders that has a material interest in such transfer shall abstain from voting on the resolution approving such transfer at the general meeting. Once converted into the Shares of our Company, Hydropower Group will have corresponding voting rights in our Company but shall not enjoy any special rights over other Shareholders of our Company.

Hydropower Group has provided an undertaking to our Company in writing on September 26, 2017, pursuant to which it has irrevocably and unconditionally undertaken, among others, not to (i) withdraw the State capital reserves benefits from our Company in any way or request our Company to pay back the State capital reserves benefits; or (ii) transfer the State capital reserves benefits or request to convert the State capital reserves benefits into equity interests of our Company or any other companies within our Group.

Taking into account (i) the nature of the State capital reserves benefits, which are neither classified as liabilities nor issued Shares of our Company; (ii) Hydropower Group will not enjoy any additional shareholder rights, including but not limited to voting rights and dividend rights; and (iii) the State capital reserves benefits is inherited from government, the State capital reserves benefits are neither loan nor advance in nature and should not be considered as financial assistance by Hydropower Group to us under Rule 14A.24(4) or any other rules under the Listing Rules.

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. As of the Latest Practicable Date, our Group's facility or loan is all guaranteed by our own assets or credit without any financial assistance from Hydropower Group. Our Directors confirm that our Group does not intend to obtain any further borrowing or guarantee from any of the Controlling Shareholders before the Listing. Therefore, there is no financial dependence on our Controlling Shareholders.

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto included in "Appendix I — Accountants' Report" and "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus.

Our historical results do not necessarily indicate results expected for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a vertically integrated power supplier and service provider in Yibin City, Sichuan Province, with a full power supply value chain covering power generation and electricity distribution and sales. We have a stable user base and a comprehensive network of power supply in Yibin City, which allows us to optimize the balance usage of power resources within our power supply network through efficient allocation of electricity. Our business currently consists of (i) power business, which includes power generation and power supply; and (ii) EECS business, which consists of electrical engineering construction service and sales of electric equipment and materials.

We are the only authorized regional power supplier in our power supply service area. We sell the power to users through our power grid within our power supply service area. We primarily generate electricity from hydropower plants owned and operated by our subsidiaries. In terms of hydropower generation, as of June 30, 2018, we owned and operated 35 hydropower plants, which were installed with 77 electricity generating units having a total installed capacity of 138,680 kW. In respect of electricity transmission and distribution, as of June 30, 2018, we had one unit of 220 kV transformer substation with a total transformer capacity of 180,000 kVA, 19 units of 110 kV transformer substations with a total transformer capacity of 922,000 kVA and 59 units of 35 kV transformer substations with a total transformer capacity of 500,850 kVA. We also had approximately 530 kilometers of 110 kV transmission and distribution lines, 1,000 kilometers of 35 kV transmission and distribution lines and 9,108 kilometers of 10 kV transmission and distribution lines as of June 30, 2018. Our comprehensive network of power supply in Yibin City enables us to effectively manage any uneven usage of electricity by allocating surplus electricity from certain regions to regions with electricity deficit, which optimizes the balanced usage of power resources within our power supply network.

Our sources of electricity sales mainly include self-generated power and electricity purchased from third-party suppliers, including electricity purchased from State Grid Company and Southern Grid Company, as well as other third-party hydropower plants that are connected to our power grid. We purchase electricity from third-party suppliers mainly because the capacity of our self-generated power, which primarily depends on the amount of water flow through our hydropower plants that varies due to seasonal fluctuations in hydrological conditions can only satisfy a part of the demand for electricity in our power supply service area.

In addition to our power business, during Track Record Period, we, through our subsidiaries, also engaged in EECS business, which mainly involved undertaking the electrical engineering construction of projects for, and selling electric equipment and materials to our customers.

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our total revenue was RMB1,614.6 million, RMB1,691.7 million, RMB1,853.2 million, RMB836.3 million and RMB970.6 million, respectively. Our profit for the year/period was RMB104.9 million, RMB117.8 million, RMB124.9 million, RMB65.4 million and RMB95.3 million, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition and results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Structure of Our Cost of Sales

Our cost of sales directly affects our profitability and the proportion of electricity purchased from different suppliers affects the total cost of our sales. The amount of electricity generated from our hydropower plants largely depends on the hydrological conditions prevailing from time to time in the regions where such plants are located. Our power generation is typically higher during the period from June to October of each year, during which time the hydrological conditions become more favorable. We would increase our purchase of electricity from third-party suppliers during the first half of the year when water flow is reduced, which generally results in lower utilization rates of our hydropower plants. For further details, please refer to the section headed "Business — Seasonality" in this prospectus. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our cost of our power business accounted for 89.9%, 85.6%, 81.8%, 86.7% and 87.4%, respectively, of our total cost of sales.

Under our power business, our cost of sales primarily consists of cost of power generation, cost of electricity purchased from third-party suppliers and cost of power distribution, as well as business tax and surcharges. Our total cost of sales, to certain extent, depends on the amount of our self-generated power, for which the cost is generally lower than the cost of the electricity we purchase from third-party suppliers. During the Track Record Period, the average cost of our self-generated power was approximately RMB0.1391 per kWh while the average price of electricity purchased from third-party suppliers (excluding VAT) was approximately RMB0.3223 per kWh. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, the cost of power generation accounted for 7.1%, 7.3%, 6.8%, 6.9% and 5.7%, respectively, of the total cost of our power business for the respective periods, while the cost of electricity purchased from third-party suppliers accounted for 60.1%, 57.8%, 60.4%, 61.9% and 67.1%, respectively, of the total cost of our power business for the respective periods. If our power generation is adversely affected by unfavorable hydrological conditions or other factors, the amount of our self-generated power will decrease and we will need to purchase additional electricity from third-party suppliers at a relatively higher price to satisfy customer demand. As a result, our total cost of sales will increase.

In addition, the availability and prices of power purchased from third-party suppliers vary for different suppliers and may fluctuate from time to time. The average price of electricity purchased from State Grid Company was approximately RMB0.3942 per kWh, RMB0.3869 per kWh, RMB0.3702 per kWh and RMB0.3762 per kWh for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively. The average price of electricity purchased from Southern Grid Company, on the other hand, was approximately RMB0.3555 per kWh, RMB0.3610 per kWh, RMB0.3538 per kWh and RMB0.3137 per kWh for the same periods, respectively. For the same periods, the average price of electricity purchased from other third-party power plants was approximately RMB0.2724 per kWh, RMB0.2778 per kWh, RMB0.2688 per kWh and RMB0.2909 per kWh for the same periods, respectively. The differences in the prices of electricity we purchase from third-party suppliers will likely result in varying amounts of cost of sales we incur.

Consumer Demand and Local Economic Environment

Our revenue and profitability depend substantially on the consumers' demand for our electricity, which in turn, is affected by the overall local economic environment in the locations where we operate our business.

In our power business, we sell a substantial majority of electricity to residents, general industrial and commercial users and large industrial users. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, we generated revenue from our power business in the amount of RMB1,439.9 million, RMB1,456.4 million, RMB1,542.3 million, RMB729.1 million and RMB846.9 million, respectively. Our revenue from our power business is primarily affected by the continued demand of electricity from our customers. With respect to our household customers, we believe the demand largely depends on the overall economic development in the locations where they reside and where we operate and the electricity consumption habits they have. Our revenue from household use maintained a steady growth over the past two years driven by the continued economic development in Sichuan Province. The demand of electricity by our industrial and commercial customers and large industrial customers, on the other hand, is affected by the fluctuations of their business and profitability, which largely depend on the economic growth and market conditions in Yibin City and Sichuan Province. For instance, our revenue from large industrial customers decreased from the year ended December 31, 2015 to the year ended December 31, 2016, primarily due to the suspension of operations of a number of large coal mining companies and liquor producers as a result of the deterioration in the mining and liquor industries in Sichuan Province. However, the revenue from large industrial customers increased in the first half of 2018 due to improving local economic conditions and certain new large industrial customers commencing operations in Yibin City.

According to the Euromonitor Report, the GDP of Sichuan Province has been growing steadily during the period from 2011 to 2017 with an CAGR of 9.9% and is expected to continue to grow steadily. Yibin City is currently an economically competitive city in Sichuan Province with a GDP of RMB184.7 billion in 2017. We believe that we will continue to have a sustainable long-term operation given that we are the only authorized power supplier within our power supply service area.

Government Policies, Including the Pricing of Electricity

The operation of the power companies in China is subject to the compliance with a wide range of general and specific PRC regulations covering planning, construction and operations of power plants, granting of power generation and supply permits, construction and operation of power grids, the setting of on-grid tariffs and end-user tariffs, power grid control and power dispatch, environmental protection and safety standards.

In general, the sales price of our electricity is approved or fixed by the relevant pricing authorities in China. The PRC government has issued numerous laws and policies to regulate the pricing of electricity. As a result, our revenue and profitability depend substantially on the pricing policies of the PRC government. Any future changes of government policies to raise the on-grid tariffs or reduce end-users tariffs may negatively affect our revenue. For more details about the pricing policies, please see the section headed "Business — Pricing and Sales" in this prospectus.

The power industry in China has experienced and is expected to continue to experience ongoing regulatory reforms. Following a major reform of the power industry in 2002, China had begun a new round of power system reform in March 2015, which, if fully implemented, will allow the market to determine power prices and diversify power suppliers. Such reform will have profound impact on the entire power generation and supply industry in the PRC. However, if such reform of power price setting mechanism eventually raises on-grid tariffs or reduces end-users prices of electricity, our results of operations and financial condition will be materially and adversely affected. For a detailed discussion of the risks associated with the PRC regulatory reforms, please refer to the section headed "Risk Factors — Risks Relating to Our Business — We face uncertainties associated with the reforms of the PRC power industry and future changes in local government regulations and policies" in this prospectus.

Interest Rate Fluctuations

Changes in interest rates affect our finance expenses and our results of operations. During the Track Record Period, the PBOC has lowered the benchmark lending rates in China several times. Lending interest rates may vary in the future if the PRC government decides to change its monetary policy. If the PBOC were to raise benchmark lending rates, our finance expenses would consequently increase. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, we incurred finance costs of RMB71.0 million, RMB50.9 million, RMB41.4 million and RMB16.6 million, respectively. Our finance costs mainly comprise interest costs on bank and other borrowings. Bank and other borrowings were incurred primarily for the purpose of the working capital of our business and our capital expenditure. Our interest-bearing borrowings primarily consist of bank overdrafts, bank loans and corporate bond. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we had (i) bank overdrafts in the amount of RMB550.3 million, RMB330.2 million, RMB300.5 million and RMB300.9 million, respectively; (ii) bank loans in the amount of RMB702.0 million, RMB800.0 million, RMB572.0 million and RMB609.0 million, respectively; and (iii) corporate bond in the amount of RMB200.0 million, nil, nil and nil, respectively. Bank overdrafts were interest-bearing at a demand deposit interest rate calculated based on the withdrawal amount plus fixed charge of 0.45%, 0.45%, 0.80% and 0.80%, respectively, of the granted maximum facility amounts. We carried bank loans with weighted average interest rates of 5.1%, 4.7%, 4.5% and 4.7%, respectively, per annum for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018. For more details of effective interest rate ranges of our bank borrowings, please see "— Indebtedness" in this section.

Our finance costs decreased during the Track Record Period mainly as a result of repayment of corporate bond, certain bank loans and bank overdrafts and the reduction of the prevailing lending rates in China. As we generally finance our working capital needs by interest-bearing debts, such as bank loans, our results of operations will be affected by the prevailing interest rates in China. Should interest rates rise, we will incur additional financing costs, which could adversely affect our results of operations and financial condition. For more details of our interest rate risk, please see "— Qualitative and Quantitative Disclosure about Market Risks — Interest Rate Risk" in this section.

Preferential Income Tax Treatment

All of our revenue is derived from our business in the PRC. Preferential tax treatment in the PRC historically has had a material effect on our results of operations. Beginning on January 1, 2008, the PRC's statutory enterprise income tax ("EIT") rate has been 25%, which is applicable to us. However, we enjoy several preferential tax treatments pursuant to the relevant laws and regulations. For example, we enjoy a preferential enterprise rate of 15% pursuant to the "Taxation Policies on In-depth Implementation of Western Region Development Strategy" from 2011 to 2020. In addition, we enjoy a preferential tax treatment because of our investments in public infrastructure projects. As a result, for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our effective tax rate was 11.6%, 13.4%, 13.0%, 12.6% and 13.4% respectively. See "— Description of Major Components of Our Consolidated Statement of Profit or Loss — Income Tax" in this section.

We expect to continue to enjoy preferential tax treatment in the future. The discontinuation of any preferential tax treatment currently available to us will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations. Please see the section headed "Risk Factors — Risks Relating to Our Business — We are subject to risks associated with changes in preferential tax treatment" in this prospectus for a description of risks relating to our tax incentives in this prospectus.

BASIS OF PRESENTATION

The financial statements of the subsidiaries of our Group for which there are statutory requirements were prepared in accordance with relevant accounting rules and regulations applicable to entities in the countries in which they incorporated and/or established.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of all subsidiaries now comprising our Group from the earliest date presented or since the respective dates of establishment of the subsidiaries, whichever is a shorter period, the consolidated statements of financial positions of our Group as of December 31, 2015, 2016 and 2017 and June 2018 have been prepared to present the assets and liabilities of our Company and its subsidiaries at these dates.

The financial information contained herein is presented in Renminbi, which is the functional currency of our Company and its subsidiaries.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Except for the new or revised IFRSs or interpretations that are not yet mandatory for annual periods beginning on or after January 1, 2018 (please refer to note 32 included in Accountant's Report set out in Appendix I to this prospectus), we have adopted all applicable standards and interpretations consistently throughout the Track Record Period, including, but not limited to, IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. So far as the adoption of IFRSs 9 and 15 is concerned, as compared to the predecessor standards that IFRS 9 and IFRS 15 have replaced, our assessment is that there is no material recognition and measurement impact on our Group's financial position and financial performance. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in the Accountants' Report included in Appendix I to this prospectus.

The estimates and associated assumptions are based on our historical experience and various other relevant factors, including expectations of future events that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Revenue Recognition

We recognize revenue at the fair value of the consideration received or receivable, provided that it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably. We recognize revenue as follows:

Revenue from the Sales of Electricity

Sale of electricity is recognized upon transmission of power to the customers or the power grid controlled and owned by the state or regional grid companies. A receivable is recognized by us when the electricity power is transmitted at the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. In cases where the customers make payment in advance, receipts in advance are recognized as revenue when the electricity power is transmitted to the customers.

Revenue from the Sales of Goods

Sale of goods is recognized when the customer takes possession of and accepts the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from Construction Contracts

A contract with a customer is classified by us as a construction contract when the contract relates to work on electric engineering projects under the control of the customer and therefore our construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of our Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered. If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

Rental Income from Operating Leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plants and buildings	20-50 years
Machineries	10-30 years
Motor vehicles	5-10 years
Office equipment and fixture	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Income Tax

Income tax for the Track Record Period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the Track Record Period, using tax rates enacted or substantively enacted at the end of each of the reporting periods, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Additional income taxes that arise from the distribution of dividends are recognized when the liability to pay the related dividends is recognized.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if our Company or our Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, our Company or our Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either the same taxable entity; or

- different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

Other Investments in Debt and Equity Securities

Our policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below. Investments in debt and equity securities are recognized/derecognized on the date we commit to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss for which transactions costs are recognized directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

Investments Other Than Equity Investments

Non-equity investments held by us are classified into one of the following measurement categories:

- amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- fair value through other comprehensive income (recycling), if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; and

- fair value at profit or loss if the investment does not meet the criteria for being measured at mortised cost or fair value through other comprehensive income (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

Equity Investments

An investment in equity securities is classified as fair value through profit or loss unless the equity investment is not held for trading purposes and on initial recognition of the investment we make an election to designate the investment at fair value through other comprehensive income (non-recycling) such that subsequent changes in fair value are recognized in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Dividends from an investment in equity securities, irrespective of whether classified as at fair value through profit or loss or fair value through other comprehensive income, are recognized in profit or loss as other income.

Contract Assets and Contract Liabilities

A contract asset is recognized when we recognize revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in note 2(i)(i) of the Accountants' Report set out in Appendix I to this prospectus and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays consideration before we recognize the related revenue. A contract liability would also be recognized if we have an unconditional right to receive consideration before we recognize the related revenue. In such cases, a corresponding receivable would also be recognized.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis. When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

Measurement of Expected Credit Losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to our Group in accordance with the contract and the cash flows that it expects to receive). The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material: (i) fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and (ii) variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which we are exposed to credit risk. In measuring expected credit losses, we take into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured on either of the following bases: (i) 12-months expected credit losses are losses that are expected to result from possible default events within the 12 months after the reporting date; and (ii) lifetime expected credit losses are losses that are expected to result from possible default events over the expected lives of the items to which the expected credit loss model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit losses. Expected credit losses on these financial assets are estimated using a provision matrix based on our historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. For all other financial instruments, we recognized a loss allowance equal to 12-month expected credit losses unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime expected credit losses.

RESULTS OF OPERATIONS

Consolidated Statement of Profit or Loss

The table below sets forth our consolidated statement of profit or loss with line items in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the years ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Revenue	1,614,602	100.0	1,691,675	100.0	1,853,243	100.0	836,320	100.0	970,556	100.0
Cost of sales	(1,283,501)	(79.5)	(1,363,507)	(80.6)	(1,530,929)	(82.6)	(699,585)	(83.7)	(780,832)	(80.5)
Gross profit	331,101	20.5	328,168	19.4	322,314	17.4	136,735	16.3	189,724	19.5
Other income	34,722	2.2	32,593	1.9	52,530	2.8	30,045	3.6	14,972	1.5
Administrative expenses	(151,087)	(9.4)	(161,773)	(9.6)	(179,586)	(9.7)	(74,430)	(8.8)	(81,363)	(8.3)
Impairment of loss on trade and other receivables including contract assets	(25,260)	(1.6)	(15,662)	(0.9)	(1,222)	(0.1)	(1,541)	(0.2)	2,227	0.2
Other expenses	(12,891)	(0.7)	(5,880)	(0.3)	(19,794)	(1.1)	(832)	(0.1)	(1,407)	(0.1)
Profit from operations	176,585	11.0	177,446	10.5	174,242	9.3	89,977	10.8	124,153	12.8
Finance costs	(70,975)	(4.4)	(50,885)	(3.0)	(41,360)	(2.2)	(19,748)	(2.4)	(16,573)	(1.7)
Share of profits less losses of associates	13,026	0.8	9,523	0.6	10,672	0.6	4,591	0.5	2,415	0.2
Profit before taxation	118,636	7.4	136,084	8.1	143,554	7.7	74,820	8.9	109,995	11.3
Income tax	(13,739)	(0.9)	(18,260)	(1.1)	(18,664)	(1.0)	(9,398)	(1.1)	(14,739)	(1.5)
Profit for the year/period	104,897	6.5	117,824	7.0	124,890	6.7	65,422	7.8	95,256	9.8
Adjusted net profit[1]	104,897	6.5	121,270	7.2	133,708	7.2	66,402	7.9	97,208	10.0

Note:

(1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period excluding the effects of the listing expenses as it is non-recurring in nature. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items, namely, listing expenses. There are no other significant non-recurring or one-off items during the Track Record Period. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See "Financial Information — Non-IFRS Measure" in this prospectus. The following table reconciles our Adjusted Net Profit for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period.

	For the years ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period.	104,897	117,824	124,890	65,422	95,256
Add:					
Listing expenses	–	3,446	8,818	980	1,952
Adjusted Net Profit	104,897	121,270	133,708	66,402	97,208

DESCRIPTION OF MAJOR COMPONENTS OF OUR CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Revenue

We generate revenue primarily from (i) power business, including selling electricity to our customers; and (ii) EECS business, which includes providing engineering construction service and electric equipment and materials. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our total revenue was RMB1,614.6 million, RMB1,691.7 million, RMB1,853.2 million, RMB836.3 million and RMB970.6 million, respectively. The following table sets forth a breakdown of our revenue by category of business for the periods indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Power business.	1,439,906	89.2	1,456,378	86.1	1,542,311	83.2	729,100	87.2	846,919	87.3
EECS business[(1)]	174,696	10.8	235,297	13.9	310,932	16.8	107,220	12.8	123,637	12.7
Total	1,614,602	100.0	1,691,675	100.0	1,853,243	100.0	836,320	100.0	970,556	100.0

Note:

(1) Includes revenue from the sales of electric equipment and materials of RMB4.0 million, RMB2.6 million, RMB7.1 million, RMB3.2 million and RMB2.3 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

Revenue from Power Business

We generate a substantial majority of our revenue from our power business, which includes power generation, distribution and sales. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, we derived RMB1,439.9 million, RMB1,456.4 million, RMB1,542.3 million, RMB729.1 million and RMB846.9 million, respectively, representing 89.2%, 86.1%, 83.2%, 87.2% and 87.3% of our revenue.

The following table sets forth a breakdown of our revenue from power business based on customer type for the periods indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Household	464,391	32.3	530,433	36.4	549,925	35.7	262,344	36.0	287,012	33.9
General industrial and commercial	462,140	32.1	480,614	33.0	492,845	32.0	237,269	32.5	263,522	31.1
Large industrial	426,341	29.6	367,733	25.2	396,005	25.7	197,864	27.1	241,171	28.5
State Grid Company	41,976	2.9	21,410	1.5	20,731	1.3	3,522	0.5	1,442	0.2
Others[1]	45,058	3.1	56,188	3.9	82,805	5.3	28,101	3.9	53,772	6.3
Total	1,439,906	100.0	1,456,378	100.0	1,542,311	100.0	729,100	100.0	846,919	100.0

Note:

(1) Include agricultural customers and other customers.

Revenue from EECS Business

During the Track Record Period, we also generated revenue from our EECS business, which mainly involves undertaking the electrical engineering construction projects for, and selling electric equipment and materials to, the users and grid companies in our power supply area. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, we derived RMB174.7 million, RMB235.3 million, RMB310.9 million, RMB107.2 million and RMB123.6 million, respectively, representing 10.8%, 13.9%, 16.8%, 12.8% and 12.7%, of our revenue, respectively.

Cost of Sales

Our cost of sales consists of (i) cost of sales of electricity; and (ii) cost of our EECS business. Our cost of sales was RMB1,283.5 million, RMB1,363.5 million, RMB1,530.9 million, RMB699.6 million and RMB780.8 million for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

Under our power business, our cost of sales primarily consists of cost of power generation, cost of electricity purchased from third-party suppliers and cost of power distribution, as well as business tax and surcharges. Under our EECS business, our cost of sales primarily consists of labor costs and costs of raw materials. The following table sets forth a breakdown of the components of our cost of sales for the periods indicated.

	For the years ended December 31,						For the six months ended June 30,			
	2015		2016		2017		2017		2018	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Power business										
Cost of purchase of electricity	693,806	54.1	674,584	49.5	755,500	49.4	375,368	53.7	457,987	58.7
Cost of power generation	81,556	6.3	85,777	6.3	84,589	5.5	41,753	6.0	39,061	5.0
Staff and labor costs	29,255	2.3	32,310	2.4	32,133	2.1	16,047	2.3	14,789	1.9
Depreciation and amortization	36,464	2.8	37,466	2.7	36,379	2.4	18,695	2.7	19,533	2.5
Repair expenses	5,016	0.4	5,080	0.4	6,487	0.4	3,982	0.6	1,494	0.2
Others(1)	10,821	0.8	10,921	0.8	9,590	0.6	3,029	0.4	3,245	0.4
Cost of power distribution	378,777	29.5	407,051	29.8	411,683	26.9	189,555	27.0	185,358	23.7
Staff and labor costs	191,761	14.9	200,486	14.7	209,272	13.7	101,940	14.6	97,772	12.5
Depreciation and amortization	78,596	6.1	82,357	6.0	91,604	6.0	43,636	6.2	45,841	5.9
Repair expenses	33,281	2.6	45,634	3.3	40,004	2.6	16,689	2.4	16,762	2.1
Others(2)	75,139	5.9	78,574	5.8	70,803	4.6	27,290	3.8	24,983	3.2
Subtotal	1,154,139	89.9	1,167,412	85.6	1,251,772	81.8	606,676	86.7	682,406	87.4
EECS business	129,362	10.1	196,095	14.4	279,157	18.2	92,909	13.3	98,426	12.6
Total	1,283,501	100.0	1,363,507	100.0	1,530,929	100.0	699,585	100.0	780,832	100.0

Notes:

(1) Primarily include mandatory payments to a government resettlement fund.

(2) Primarily include rural grid loan payment fund and major water conservancy project construction fund. Pursuant to the Notice on Repayment of Upgrade and Transformation of Rural Power Grid, we are required by the PRC government to contribute RMB0.02 to a government fund for each kWh of electricity we sell, which are generally collected from end-users in the electricity price we charge and are used for the repayment of the principal and interests of the special-purpose loan for rural power grid projects.

Based on the extent of fluctuation in the cost of self-operated power and cost of power purchased from third-party suppliers, respectively, during the Track Record Period, for illustrative purposes only, the following table shows the sensitivity of our overall profit before tax during the Track Record Period with regard to certain possible changes in the cost of self-operated power and cost of power purchased from third-party suppliers, respectively, during the same period, assuming all other variables remained constant. To illustrate the potential effect on our financial performance, the sensitivity analysis below, with reference to historical fluctuation, shows the potential impact on our profit before tax with a 5% and 10% increase or decrease in our cost of self-operated power and cost of power purchased from third-party suppliers, respectively.

	For the years ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Increase/(decrease) in profit before tax				
Changes in cost of self-operated power					
-10%	8,156	8,578	8,459	4,175	3,906
-5%	4,078	4,289	4,230	2,088	1,953
+5%	(4,078)	(4,289)	(4,230)	(2,088)	(1,953)
+10%	(8,156)	(8,578)	(8,459)	(4,175)	(3,906)
Changes in cost of power purchased from third-party suppliers					
-10%	69,381	67,458	75,550	37,537	45,799
-5%	34,690	33,729	37,775	18,768	22,899
+5%	(34,690)	(33,729)	(37,775)	(18,768)	(22,899)
+10%	(69,381)	(67,458)	(75,550)	(37,537)	(45,799)

Gross Profit and Gross Profit Margin

Gross profit represents our revenue less cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our gross profit was RMB331.1 million, RMB328.2 million, RMB322.3 million, RMB136.7 million and RMB189.7 million, respectively, representing gross profit margins of 20.5%, 19.4%, 17.4%, 16.3% and 19.5%, respectively.

The table below sets forth a breakdown of our gross profit and gross profit margin, based on significant category of business for the periods indicated.

	For the years ended December 31,									For the six months ended June 30,					
	2015			2016			2017			2017			2018		
	RMB'000	(% of gross profit)	(Gross profit margin)	RMB'000	(% of gross profit)	(Gross profit margin)	RMB'000	(% of gross profit)	(Gross profit margin)	RMB'000	(% of gross profit) (Unaudited)	(Gross profit margin)	RMB'000	(% of gross profit)	(Gross profit margin)
Power business . .	285,767	86.3	19.8	288,966	88.1	19.8	290,539	90.1	18.8	122,424	89.5	16.8	164,513	86.7	19.4
EECS business . .	45,334	13.7	26.0	39,202	11.9	16.7	31,775	9.9	10.2	14,311	10.5	13.3	25,211	13.3	20.4
Total.	331,101	100.0	20.5	328,168	100.0	19.4	322,314	100.0	17.4	136,735	100.0	16.3	189,724	100.0	19.5

Other Income

Other income primarily consists of (i) interest income; (ii) fair value changes of other financial assets; (iii) government grants; (iv) long-aged payable written-off; (v) late repayment surcharge; (vi) power transmission charge; and (vii) others. The following table sets forth a breakdown of the components of our other income for the periods indicated:

	For the years ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Government grants(1).	6,670	9,644	7,396	3,712	3,549
Power transmission charge . .	699	807	622	121	–
Interest income(2)	17,109	4,396	1,464	465	533
Fair value changes of other financial assets(3).	2,292	4,685	19,796	11,021	8,820
Long-aged payable written-off(4).	910	8,642	14,224	12,339	–
Late payment surcharge(5). . .	3,244	1,615	511	452	91
Others(6)	3,798	2,804	8,517	1,935	1,979
Total	**34,722**	**32,593**	**52,530**	**30,045**	**14,972**

Notes:

(1) Primarily includes financial support for a resident relocation project and natural disaster from local governmental authorities.

(2) Primarily includes interest income from bank deposits, loans receivable to certain third parties and a fellow subsidiary, through China Industrial Bank Co., Ltd with an interest rate of equals to the PBOC benchmark lending rate plus 5%, and prepayments.

(3) Primarily includes fair value changes in financial products and investment of Jinding Fund.

(4) When the creditors became bankrupt or prescribed period of validity for legal action of long-aging payables lapsed, we wrote off these long-aging payables and credited as other income.

(5) Primarily comes from customers who failed to pay the electricity bills on time.

(6) Includes rental income, connected grid stability maintenance service fees and power consulting fees.

Impairment Loss on Trade and Other Receivables, Including Contract Assets

We measure loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses calculated using a provision matrix, and recognize the impairment loss when the carrying amount exceeds the recoverable amount. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017, our impairment loss on trade receivables and contract assets, recognized was RMB20.9 million, RMB15.6 million, RMB0.9 million and RMB0.7 million, respectively. For the six months ended June 30, 2018, our reversal of impairment loss on trade receivables and contract assets, was RMB1.7 million. For other receivables and loans to third parties, we measure the loan allowances by measuring the amount equal to lifetime expected credit losses, which are estimated based on our historical credit loss experience, and adjusted for factors that are specific to the debtors and assessment of both current and forecast general economic conditions at each of the reporting date. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017, our impairment loss of other receivables and loans to third parties amounted to RMB4.3 million, RMB0.1 million, RMB0.4 million and RMB0.8 million, respectively. For the six months ended June 30, 2018, we reversed approximately RMB0.5 million impairment loss recognized previously. The table below sets forth a breakdown of the components of our impairment loss on trade and other receivables, including contract assets, for the periods indicated:

	For the years ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Impairment loss recognized/(reversed) arising from trade receivables and contract assets	20,940	15,601	870	702	(1,734)
Impairment loss recognized/(reversed) arising from other receivables and loans to third parties	4,320	61	352	839	(493)
Total	25,260	15,662	1,222	1,541	(2,227)

Administrative Expenses

Administrative expenses primarily consist of (i) staff and labor costs; (ii) depreciation and amortization; (iii) taxes; (iv) office and travelling expenses; (v) vehicle costs; (vi) listing expenses; and (vii) others. The following table sets forth a breakdown of the components of our administrative expenses for the periods indicated:

	For the years ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff and labor costs[1]	105,777	111,558	116,350	52,798	57,475
Depreciation and amortization[2]	10,513	10,293	9,646	5,178	5,047
Taxes[3]	4,231	4,789	5,218	2,602	3,131
Office and travelling expenses[4]	4,916	4,820	4,603	1,980	1,845
Vehicle costs	4,670	4,635	5,276	1,720	1,984
Listing expenses	–	3,446	8,818	980	1,952
Others[5]	20,980	22,232	29,675	9,172	9,929
Total	151,087	161,773	179,586	74,430	81,363

Notes:

(1) Includes primarily salaries and benefits of our administrative and labor personnel.

(2) Includes primarily depreciation and amortization of office equipment and fixtures.

(3) Includes primarily housing property tax and land use tax.

(4) Includes primarily office expenses and travelling expenses of our administrative personnel.

(5) Includes primarily consulting fees, insurance premiums, property service fees and communication fees.

Other Expenses

Other expenses primarily consist of (i) impairment losses; (ii) net losses on disposal of property, plant and equipment; and (iii) others. The table below sets forth a breakdown of our other expenses for the periods indicated.

	For the years ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Impairment losses[(1)]	11,192	1,587	13,961	–	–
Net losses on disposal of property, plant and equipment	326	1,462	488	30	26
Others	1,373	2,831	5,345	802	1,381
Total	12,891	5,880	19,794	832	1,407

Note:

(1) Includes primarily impairment losses on property, plant and equipment.

Finance Costs

Finance costs primarily consist of (i) interest on bank loans; (ii) interest on corporate bonds; (iii) interest on other borrowings, which mainly consisted of borrowings from our related parties and other third parties; and (iv) interest on bank overdrafts. The following table sets forth a breakdown of the components of our finance costs for the periods indicated:

	For the years ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on bank loans	43,604	38,826	36,984	17,451	14,246
Interest on bank overdrafts	2,621	3,530	2,767	1,148	2,327
Interest on other borrowings	3,928	2,645	1,609	1,149	–
Interest on corporate bond	20,822	5,884	–	–	–
Total	70,975	50,885	41,360	19,748	16,573

Share of Profits Less Losses of Associates

Share of profits less losses of associates primarily represents the share of profit in connection with our investments in associates, including two small loan companies, Emei Jinkun (峨眉金坤) and Yibin Jinkun (宜賓金坤), in which we maintained a 20.0% and 25.0% equity interest, respectively, as of June 30, 2018. The profits we derived from our investments in these associated companies were proportionate to the equity interest we held therein. During the Track Record Period, our share of profit of associates were primarily derived from Emei Jinkun and Yibin Jinkun. For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our share of profits less losses of associates were RMB13.0 million, RMB9.5 million, RMB10.7 million, RMB4.6 million and RMB2.4 million, respectively.

Income Tax

All of our revenue during the Track Record Period was derived from our businesses in the PRC and our profits generated from our operations were principally subject to PRC enterprise income tax. Beginning on January 1, 2008, the PRC's statutory EIT rate has been 25%. We and all of our subsidiaries are subject to income tax rates at 25% on our respective taxable income as calculated in accordance with the EIT Law and its relevant regulations. We enjoy several preferential tax treatments pursuant to relevant laws and regulations. According to the notice on tax policies in relation to further implementation of the western development strategy, enterprises established in western region and engaged in activities encouraged by the state, are applicable to a preferential corporate income tax rate of 15.0% from 2011 to 2020. During the Track Record Period, certain of our subsidiaries operating in the western region of the PRC enjoy a preferential enterprise income tax rate of 15.0% due to the reason that 70% or more of their revenue was generated from the services that were entitled to preferential tax treatment in each year. We also enjoy a preferential tax treatment because of our investments in public infrastructure projects. Please refer to "Risk Factors — Risks Relating to Our Business — We are subject to risks associated with changes in preferential tax treatment" in this prospectus for a description of risks relating to our tax incentives. During the Track Record Period, we paid all relevant taxes and there were no disputes or unresolved tax issues with the relevant tax authorities. The following table shows the current and deferred components of the income tax expense in the PRC appearing in our consolidated statements of profit or loss.

	For the Years Ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Current tax	24,667	21,536	22,593	10,910	15,447
Deferred tax	(10,928)	(3,276)	(3,929)	(1,512)	(708)
Total	13,739	18,260	18,664	9,398	14,739

NON-IFRS MEASURES

In order to supplement our combined financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of certain items that we do not consider indicative of the performance of our business. We also believe that this non-IFRS measure provides additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Net Profit

The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period excluding the effects of listing expenses as it is non-recurring in nature. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items, namely, listing expenses. There are no other significant non-recurring or one-off items during the Track Record Period. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See "— Non-IFRS Measure" in this prospectus. The following table reconciles our Adjusted Net Profit for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period.

	For the years ended December 31,			For the six months ended June 30,	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Profit for the year/period. . . .	104,897	117,824	124,890	65,422	95,256
Add:					
Listing expenses	–	3,446	8,818	980	1,952
Adjusted Net Profit	104,897	121,270	133,708	66,402	97,208

For the years ended December 31, 2015, 2016 and 2017 and six months ended June 30, 2017 and 2018, our Adjusted Net Profit for the year/period was RMB104.9 million, RMB121.3 million, RMB133.7 million, RMB66.4 million and RMB97.2 million, respectively. Our Adjusted Net Profit for the year/period increased from RMB104.9 million for the year ended December 31, 2015 to RMB133.7 million for the year ended December 31, 2017, representing a CAGR of 12.9%.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months ended June 30, 2018 Compared to Six Months ended June 30, 2017

Revenue

Our revenue increased by 16.1% from RMB836.3 million for the six months ended June 30, 2017 to RMB970.6 million for the six months ended June 30, 2018. This increase was primarily due to (i) an increase of RMB117.8 million in the revenue of our power business, primarily due to an increase in the number of our household, general commercial and industrial, and large industrial customers by more than 24,000, more than 3,300 and approximately 40, respectively, in the first six months of 2018 compared to the same period in 2017, which resulted in an increase in the amount of electricity sales to our household, general commercial and industrial and large industrial customers by 43,618 MWh, 37,656 MWh and 97,655 MWh, respectively, for the six months ended June 30, 2018 compared to the same period in 2017; and (ii) an increase of RMB16.4 million in the revenue generated from our EECS business due to more large-scale EECS projects we undertook and increased number of construction projects awarded to us due to our continued consolidation of our EECS business resources starting in 2017.

Cost of Sales

Our cost of sales increased by 11.6% from RMB699.6 million for the six months ended June 30, 2017 to RMB780.8 million for the six months ended June 30, 2018. This increase was primarily due to an increase in electricity purchases from third-party suppliers as a result of an increase in the demand and scale for electricity sales in the first half of 2018.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 38.8% from RMB136.7 million for the six months ended June 30, 2017 to RMB189.7 million for the six months ended June 30, 2018, primarily as a result of (i) an increase in the gross profit margin for our power business due to the significant labor cost savings resulted from the automation projects in our substations; and (ii) an increase in the gross profit margin for our EECS business. Our overall gross profit margin increased from 16.3% for the six months ended June 30, 2017 to 19.5% for the six months ended June 30, 2018. The increase was mainly a result of (i) an increase in the gross profit margin for our power business; and (ii) an increase in the gross profit margin for our EECS business due to the fact that the revenue from large-scale rural power grid construction projects accounted for a smaller portion of the total revenue from our EECS business, which had a lower gross profit margin compared to other construction projects.

Other Income

Our other income decreased by 50.2% from RMB30.0 million for the six months ended June 30, 2017 to RMB15.0 million for the six months ended June 30, 2018. This decrease was primarily due to the long-aged payable written-off of RMB12.3 million after the assessment on the validity of contractual obligation of the payables by referencing to the statutory limitation in the PRC of theses payables in 2017 whereas there was no such long-aged payable written-off in the first half of 2018 after the assessment.

Impairment Loss on Trade and Other Receivables, including Contract Assets

Our impairment loss on trade and other receivables, including contract assets decreased from an impairment loss of RMB1.5 million for the six months ended June 30, 2017 to a reversal of an impairment loss of RMB2.2 million for the six months ended June 30, 2018. Such change was primarily due to, the fact that we recovered certain of the trade and other receivables that were deemed impaired previously in the first half of 2018.

Administrative Expenses

Our administrative expenses increased by 9.3% from RMB74.4 million for the six months ended June 30, 2017 to RMB81.4 million for the six months ended June 30, 2018. This increase included an increase of RMB4.7 million in staff and labor costs, which was primarily due to salary increase for our employees. As a percentage of revenue, our administrative expenses decreased from 8.8% for the six months ended June 30, 2017 to 8.3% for the six months ended June 30, 2018. This decrease was primarily due to an larger percentage increase in our revenue compared to the increase in administrative expenses which is rather fixed in nature and unrelated to sales.

Other Expenses

Our other expenses increased by 69.1% from RMB0.8 million for the six months ended June 30, 2017 to RMB1.4 million for the six months ended June 30, 2018. As a percentage of revenue, our other expenses remained relatively stable at 0.1% for the six months ended June 30, 2017 and 2018.

Finance Costs

Our finance costs decreased by 16.1% from RMB19.7 million the six months ended June 30, 2017 to RMB16.6 million for the six months ended June 30, 2018, primarily due to a decrease in our average balance of interest-bearing borrowings during the six months ended June 30, 2018 as compared with the corresponding period in 2017 as we made repayments of certain of our outstanding bank loans in the first half of 2018.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates decreased by 47.4% from RMB4.6 million for the six months ended June 30, 2017 to RMB2.4 million for the six months ended June 30, 2018. This decrease was primarily due to decreased profits of two small loan company associates in the first six months of 2018 as a result of the adverse loan market conditions.

Income Tax

Our income tax increased by 56.8% from RMB9.4 million the six months ended June 30, 2017 to RMB14.7 million for the six months ended June 30, 2018. This increase was primarily because the increase in profit before taxation. Our effective tax rate increased slightly from 12.6% for the six months ended June 30, 2017 to 13.4% for the six months ended June 30, 2018.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 45.6% from RMB65.4 million for the six months ended June 30, 2017 to RMB95.3 million for the six months ended June 30, 2018.

Year ended December 31, 2016 Compared to Year ended December 31, 2017

Revenue

Our revenue increased by 9.6% from RMB1,691.7 million for the year ended December 31, 2016 to RMB1,853.2 million for the year ended December 31, 2017. This increase was primarily due to (i) an increase of RMB85.9 million in the revenue of our power business, primarily due to increased demand of electricity from our household, general industrial and commercial, as well as large industrial customers; and (ii) an increase of RMB75.6 million in the revenue generated from our EECS business due to more EECS income being recognized as a result of increased EECS activities stemming from our continued consolidation of our EECS business resources in 2017, as well as the increase in EECS income recognized for large-scale construction works relating to the rural power grid assets that were awarded to us in 2016 and 2017.

Cost of Sales

Our cost of sales increased by 12.3% from RMB1,363.5 million for the year ended December 31, 2016 to RMB1,530.9 million for the year ended December 31, 2017. This increase was primarily due to an increase in cost of sales of our EECS business and an increase in the cost of sales of our power business, in particular the cost of purchase of electricity as a result of less favorable hydrological conditions in 2017 in the areas where a substantial number of our power plants are located, which caused less than anticipated water flow and led to a decrease in the amount of self-generated power. As a result, we made additional electricity purchase from our suppliers in 2017 as compared with 2016.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 1.8% from RMB328.2 million for the year ended December 31, 2016 to RMB322.3 million for the year ended December 31, 2017, primarily as a result of a decrease in the gross profit margin for our EECS power businesses. Our overall gross profit margin decrease from 19.4% for the year ended December

31, 2016 to 17.4% for the year ended December 31, 2017. The decrease was mainly a result of (i) a decrease in the gross profit margin of our power business, mainly because we generated less power in 2017 as compared to 2016 due to unfavorable hydrological conditions in 2017, which caused us to purchase additional electricity from third-party suppliers at a relatively higher price to satisfy customer demand, as well as a slight decrease in the average unit price of electricity we sold; and (ii) a decrease in the gross profit margin of our EECS business, primarily as a result of increased costs and the fact that the revenue from large-scale rural power grid construction projects accounted for a larger portion of the total revenue from our EECS business, which had a lower gross profit margin compared to other small- and medium-scale construction projects.

Other Income

Our other income increased by 61.2% from RMB32.6 million for the year ended December 31, 2016 to RMB52.5 million for the year ended December 31, 2017. This increase was primarily due to (i) an increase of long-aged payable written-off by RMB5.6 million after the assessment on the validity of contractual obligation of the payables by referencing to the statutory limitation in the PRC of these payables; (ii) an increase of RMB15.1 million in fair value changes, which was mainly attributable to the realized and unrealized net income from our investment of Jinding Fund made in 2017.

Impairment Loss on Trade and Other Receivables, including Contract Assets

Our impairment loss on trade and other receivables, including contract assets decreased by 92.2% from RMB15.7 million recognized for the year ended December 31, 2016 to RMB1.2 million recognized for the year ended December 31, 2017. This decrease was primarily due to decrease in our expected credit risk based on the recovery of our historical receivables during the year.

Administrative Expenses

Our administrative expenses increased by 11.0% from RMB161.8 million for the year ended December 31, 2016 to RMB179.6 million for the year ended December 31, 2017, mainly due to (i) an increase of RMB5.4 million in Listing expenses; (ii) an increase of RMB4.8 million in staff and labor costs as a result of the salary increment in accordance with the annual employee wage adjustment as required by the Sichuan provincial government; and (iii) an increase in other expenses attributable to an increase in consultancy fees payable to third-party consultants and resulting increase in hospitality expenses. As a percentage of revenue, our administrative expenses remained relatively stable at 9.6% and 9.7%, respectively for the year ended December 31, 2016 and for the year ended December 31, 2017.

Other Expenses

Our other expenses increased by 236.6% from RMB5.9 million for the year ended December 31, 2016 to RMB19.8 million for the year ended December 31, 2017. As a percentage of revenue, our other expenses increased from 0.3% for the year ended December 31, 2016 to 1.1% for the year ended December 31, 2017. These increases were primarily due to an increase in impairment loss on property, plant and equipment by approximately RMB12.4 million, as a result of certain obsolete equipment that was deemed out of use after we regularly carried out fixed asset inspections.

Finance costs

Our finance costs decreased by 18.7% from RMB50.9 million for the year ended December 31, 2016 to RMB41.4 million for the year ended December 31, 2017, primarily due to a decrease in our interest-bearing borrowings as we made repayments of certain of our outstanding bank loans in 2017 and a decrease of the overall interest rates applicable to our indebtedness for the year ended December 31, 2017.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates increased from RMB9.5 million for the year ended December 31, 2016 to RMB10.7 million for the year ended December 31, 2017, mainly due to increased profits of a small loan company associate in 2017 along with its continued business expansion.

Income Tax

Our income tax increased by 2.2% from RMB18.3 million for the year ended December 31, 2016 to RMB18.7 million for the year ended December 31, 2017 primarily due to the increase in profit before taxation by approximately 5.5%. Our effective tax rate decreased slightly from 13.4% for the year ended December 31, 2016 to 13.0% for the year ended December 31, 2017.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 6.0% from RMB117.8 million for the year ended December 31, 2016 to RMB124.9 million for the year ended December 31, 2017.

Year ended December 31, 2015 Compared to Year ended December 31, 2016

Revenue

Our revenue increased by 4.8% from RMB1,614.6 million for the year ended December 31, 2015 to RMB1,691.7 million for the year ended December 31, 2016. This increase was primarily due to (i) an increased revenue of RMB60.6 million in our EECS business, mainly because we were awarded certain large-scale construction work involving rural power grid assets in 2016, which we obtained through the tender procedures as required by the relevant PRC regulations; and (ii) an increase of RMB16.5 million in the revenue of our power business, primarily due to increased demand of electricity from our household and general industrial and commercial customers, partially offset by a decrease of revenue from our large industrial customers as a result of the deterioration in the PRC mining and liquor industries, which caused a number of large coal mining companies and liquor producers to suspend their operations.

Cost of Sales

Our cost of sales increased by 6.2% from RMB1,283.5 million for the year ended December 31, 2015 to RMB1,363.5 million for the year ended December 31, 2016. This increase was primarily due to (i) an increase in cost of sales of EECS business; and (ii) an increase in the cost of our power business, in particular, the cost of power generation and distribution, primarily as a result of an increase in staff costs of our power generation, operation and management personnel and increased maintenance expenses associated with the repair and upgrading of our power grid. These increases were generally in line with our increased revenue generated from this business. The cost of purchases of electricity from third-party suppliers decreased by 2.8%, or RMB19.2 million, as we made less electricity purchases overall in 2016 but purchased more electricity from Southern Grid Company and other power plants due to its lower average price compared to that of State Grid Company, which helped us lower our total cost of electricity purchase.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 0.9% from RMB331.1 million for the year ended December 31, 2015 to RMB328.2 million for the year ended December 31, 2016, primarily as a result of a decrease in the gross profit of our EECS business. Our overall gross profit margin decreased from 20.5% for the year ended December 31, 2015 to 19.4% for the year ended December 31, 2016. The decrease was mainly a result of a decrease in the gross profit margins of our EECS business, mainly because the gross profit margins of government projects were relatively lower and the proportion of revenue generated from such government projects in 2016 was higher compared to that in 2015, while our gross profit margin for our power business remained relatively stable at approximately 19.8% for the years ended December 31, 2015 and 2016.

Other Income

Our other income decreased by 6.1% from RMB34.7 million for the year ended December 31, 2015 to RMB32.6 million for the year ended December 31, 2016. This decrease was primarily due to a decrease of RMB12.7 million in the interest income we received in 2016, which was a result of the repayment of our short-term loan by Jinding Holding Co. Ltd. in August 2015, partially offset by an increase in income recognized in respect of government grants we received and a larger amount of long-aged payable written-off in 2016.

Impairment Loss on Trade and Other Receivables, including Contract Assets

Our impairment loss on trade and other receivables, including contract assets decreased by 38.0% from RMB25.3 million for the year ended December 31, 2015 to RMB15.7 million for the year ended December 31, 2016. This decrease was primarily due to less trade and receivables by the end of 2016 as compared with 2015.

Administrative Expenses

Our administrative expenses increased by 7.1% from RMB151.1 million for the year ended December 31, 2015 to RMB161.8 million for the year ended December 31, 2016. As a percentage of revenue, our administrative expenses increased from 9.4% for the year ended December 31, 2015 to 9.6% for the year ended December 31, 2016. These increases mainly included an increase of RMB5.8 million in staff and labor costs, which was primarily due to an increase in employee salaries and benefits in accordance with the annual employee wage adjustment as required by the Sichuan provincial government.

Other Expenses

Our other expenses decreased by 54.4% from RMB12.9 million for the year ended December 31, 2015 to RMB5.9 million for the year ended December 31, 2016. As a percentage of revenue, our other expenses decreased from 0.7% for the year ended December 31, 2015 to 0.3% for the year ended December 31, 2016. These decreases were primarily due to a decrease of RMB9.6 million in impairment losses, which was mainly attributable to the lower impairment provisions made to our assets in 2016, including property, plant and equipment, after we conducted a one-off review of our assets in 2015 as a consequence of a relocation project. As a result of this review, we recognized impairment loss for certain obsolete equipment that was deemed out of use and could not generate any future economic benefit due to such relocation, while a smaller amount of such impairment loss was recognized in 2016.

Finance Costs

Our finance costs decreased by 28.3% from RMB71.0 million for the year ended December 31, 2015 to RMB50.9 million for the year ended December 31, 2016, primarily due to (i) a decrease in our interest-bearing borrowings as we made repayments of certain of our outstanding corporate bonds in 2016, which had higher interest rates than our other indebtedness; and (ii) a decrease of the overall interest rates applicable to our indebtedness for the year ended December 31, 2016.

Share of Profits Less Losses of Associates

Our share of profits less losses of associates decreased by 26.9% from RMB13.0 million for the year ended December 31, 2015 to RMB9.5 million for the year ended December 31, 2016. This decrease was primarily due to a decrease of RMB3.5 million in profit from the loan business from Emei Jinkun and Yibin Jinkun, which was mainly a result of more intense competition in the small loan market in the PRC that caused a decrease of revenue due to the decrease of the applicable interest rates on the amount of loans extended by Emei Jinkun and Yibin Jinkun to the borrowers.

Income Tax

Our income tax increased by 32.9% from RMB13.7 million for the year ended December 31, 2015 to RMB18.3 million for the year ended December 31, 2016. This increase was primarily because the increase in the amount of unrecognized tax losses expired in 2016, leading to an increase in the amount of taxable profit as compared with 2015 for the year ended December 31, 2016. Our effective tax rate increased from 11.6% in 2015 to 13.4% in 2016.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 12.3% from RMB104.9 million for the year ended December 31, 2015 to RMB117.8 million for the year ended December 31, 2016.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows Analysis

We have financed our operations primarily through cash generated from our operating activities and bank borrowings. Our primary uses of cash are to fund working capital and other recurring expenses. Going forward, we believe that our liquidity requirements will be satisfied by a combination of cash flow generated from our operating activities, bank borrowings, other funds raised from the capital markets from time to time and the proceeds from this Global Offering.

The following table sets forth our cash flows for the periods indicated:

	For the Years Ended December 31,			For the six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash flows generated from operating activities	246,967	430,413	384,738	72,107	65,875
Net cash flows (used in)/generated from investing activities	(210,293)	(39,887)	108,109	137,287	(20,778)
Net cash flows (used in)/ generated from financing activities	(322,427)	(447,663)	(304,306)	(65,355)	14,119
Cash and cash equivalents at beginning of the year/period	249,687	(36,066)	(93,203)	(93,203)	95,338
Cash and cash equivalents at the end of the year/period	(36,066)[1]	(93,203)[1]	95,338	50,836	154,554

Note:

(1) We recorded negative cash and cash equivalents as of December 31, 2015 and 2016 mainly because we reconciled our cash position as of the end of the year with bank overdrafts, which we utilized during the Track Record Period to finance our working capital. We had positive cash and cash equivalents position in 2017 mainly because (i) we redeemed all of our investments in financial products as of December 31, 2017; and (ii) there was a decrease in cash outflow for the interest payments as a result of a decrease in our bank loans.

Net Cash Flows from Operating Activities

During the Track Record Period, our cash flows from operating activities were generated primarily from the sales of electricity and the revenue derived from our EECS business. Our cash outflows from operating activities primarily relate to our power supply and EECS business.

For the six months ended June 30, 2018, our net cash flows generated from operating activities was RMB65.9 million. This net cash flow was primarily attributable to profit before taxation of RMB110.0 million, and adjusted, which principally included depreciation of property, plant and equipment of RMB68.2 million. These were partially offset by (i) cash outflow from the changes in inventories, trade and other receivables and trade and other payables amounting to RMB108.4 million; and (ii) an income tax paid of RMB9.3 million.

For the six months ended June 30, 2017, our net cash flows generated from operating activities was RMB72.1 million. This net cash flow was primarily attributable to profit before taxation of RMB74.8 million, as adjusted, which principally included depreciation of property, plant and equipment of RMB65.3 million. These were partially offset by (i) cash outflow from the changes in inventories, trade and other receivables and trade and other payables amounting to RMB81.8 million; and (ii) an income tax paid of RMB9.8 million.

For the year ended December 31, 2017, our net cash flows generated from operating activities was RMB384.7 million. This net cash inflow was primarily attributable to (i) profit before taxation of RMB143.6 million, as adjusted, which principally included depreciation in property, plant and equipment of RMB133.5 million, finance cost of RMB41.4 million and impairment loss on property, plant and equipment of RMB14.0 million; (ii) a decrease of RMB38.7 million in restricted deposits as such deposits were no longer restricted after we obtained the relevant approval from Sichuan Development; and (iii) an increase of RMB78.8 million in trade and other payables as we made more purchases of electricity during the year, which resulted in larger trade and other payables. These were partially offset by (i) cash outflow from the changes in inventories and trade and other receivables amounting to RMB31.4 million; and (ii) an income tax paid of RMB26.5 million.

For the year ended December 31, 2016, our net cash flows generated from operating activities was RMB430.4 million. This net cash inflow was primarily attributable to (i) profit before taxation of RMB136.1 million, as adjusted, which principally included depreciation in property, plant and equipment of RMB126.0 million, finance costs of RMB50.9 million and impairment loss on trade and other receivables, including contract assets and property, plant and equipment of RMB17.2 million, (ii) a decrease in trade and other receivables of RMB4.1 million; and (iii) an increase in trade and other payables of RMB118.1 million. These were partially offset by (i) income tax paid of RMB28.0 million; and (ii) an increase in inventories of RMB7.9 million, mainly due to a number of construction projects our subsidiaries undertook in 2016.

For the year ended December 31, 2015, our net cash flows generated from operating activities was RMB247.0 million. This net cash flow was primarily attributable to (i) profit before taxation of RMB118.6 million, as adjusted, which principally included depreciation in property, plant and equipment of RMB121.7 million, finance costs of RMB71.0 million and impairment loss on trade and other receivables, including contract assets and property, plant and equipment of RMB36.5 million; and (ii) an increase in trade and other payables of RMB26.8 million. These were partially offset by (i) an increase in trade and other receivables of RMB80.9 million; and (ii) income tax paid of RMB20.9 million.

Net Cash Flows Generated From/(Used in) Investing Activities

During the Track Record Period, our cash flow generated from investing activities mainly related to redemption of other financial assets and our cash flow used in investing activities primarily related to purchases of other financial assets and property, plant and equipment.

For the six months ended June 30, 2018, our net cash flows used in investing activities was RMB20.8 million, primarily relating to the payment made for purchases of property, plant and equipment of RMB37.0 million, and the proceeds of RMB855.6 million we received from the redemption of other financial assets, partially offset by the payment of RMB854.0 million we made to purchase certain financial products.

For the six months ended June 30, 2017, our net cash flows generated from investing activities was RMB137.3 million, primarily relating to the proceeds of RMB1,040.9 million we received from the redemption of other financial assets, partially offset by the payment of RMB888.0 million we made to purchase other financial assets.

For the year ended December 31, 2017, our net cash flows generated from investing activities was RMB108.1 million, primarily relating to the proceeds of RMB2,648.9 million we received from the redemption of other financial assets and receipt of repayment of advances from related parties amounting to RMB21.3 million, partially offset by the payment of RMB2,478.0 million we made to purchase certain financial products and the purchase of property, plant and equipment amounting to RMB97.7 million during the same period.

For the year ended December 31, 2016, our net cash flows used in investing activities was RMB39.9 million, primarily relating to the purchase of other financial assets in the amount of RMB735.0 million and purchase of property, plant and equipment of RMB112.0 million, partially offset by the proceeds from the redemption of other financial assets of the amount of RMB684.8 million.

For the year ended December 31, 2015, our net cash flows used in investing activities was RMB210.3 million, primarily relating to the investment in other financial assets in the amount of RMB510.0 million and the purchase of property, plant and equipment in the amount of RMB108.0 million, partially offset by the proceeds from redemption of other financial assets in the amount of RMB301.9 million and loan repayment by a fellow subsidiary in the amount of RMB130.0 million.

Net Cash Flows Used in Financing Activities

During the Track Record Period, our net cash flows used in financing activities related primarily to repayment to bank loans and corporate bonds. See "— Indebtedness" for further details relating to our borrowings.

For the six months ended June 30, 2018, our net cash flows generated from financing activities was RMB14.1 million, primarily relating to the proceeds from new bank loans in the amount of RMB350.0 million, partially offset by the repayment of certain banks loans in the amount of RMB313.0 million and interest payment of RMB17.3 million.

For the six months ended June 30, 2017, our net cash flows used in financing activities was RMB65.4 million, primarily relating to the repayment of certain bank loans in the amount of RMB255.0 million, partially offset by proceeds from new bank loans in the amount of RMB210.0 million.

For the year ended December 31, 2017, our net cash flows used in financing activities was RMB304.3 million, primarily relating to the repayment of certain bank loans in the amount of RMB808.0 million, partially offset by proceeds from new bank loans in the amount of RMB580.0 million.

For the year ended December 31, 2016, our net cash flows used in financing activities was RMB447.7 million, primarily relating to (i) repayments of bank loans in the amount of RMB702.0 million; (ii) repayments of corporate bond in the amount of RMB200.0 million; (iii) cash payment on the acquisition of non-controlling interests in Yangliutan Power Generation of RMB193.8 million; and (iv) a dividend payment to our equity holders in the amount of RMB76.2 million, partially offset by the proceeds from new bank loans in the amount of RMB800.0 million.

For the year ended December 31, 2015, our net cash flows used in financing activities was RMB322.4 million, primarily relating to (i) repayments of bank loans in the amount of RMB472.8 million; (ii) repayments of corporate bond in the amount of RMB200.0 million; and (iii) interests paid in the amount of RMB78.6 million, partially offset by the proceeds from new bank loans in the amount of RMB490.0 million.

CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth the breakdown of current assets and current liabilities as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Current assets					
Inventories	25,516	33,451	32,132	45,500	31,795
Contract assets	3,281	4,127	4,656	13,346	15,703
Trade and other receivables	533,120	405,953	325,807	346,506	365,651
Other financial assets	210,385	265,278	–	–	129,500
Prepaid tax	3,464	5,261	7,768	4,968	6,337
Restricted deposits	38,631	38,749	–	2,000	2,000
Cash and cash equivalents	514,203	237,031	395,811	455,483	353,056
Total current assets	1,328,600	989,850	766,174	867,803	904,042
Current liabilities					
Trade and other payables	452,522	486,936	591,541	619,792	522,718
Contract liabilities	62,401	107,361	133,654	148,487	178,606
Loans and borrowings	1,470,795	933,226	764,205	625,073	196,204
Deferred income	6,716	6,754	6,983	6,997	6,997
Current tax liabilities	14,205	9,497	8,053	11,387	15,333
Total current liabilities	2,006,639	1,543,774	1,504,436	1,411,736	919,858
Net current liabilities	(678,039)	(553,924)	(738,262)	(543,933)	(15,816)

As of October 31, 2018, we had net current liabilities of RMB15.8 million, as compared to net current liabilities of RMB543.9 million as of June 30, 2018. The decrease in net current liabilities was primarily due to a decrease of short-term loans and borrowings as we refinanced approximately RMB130.0 million of the short-term bank loans that were due in July 2018 and RMB300.9 million of bank overdrafts that were due in August 2018 by long-term borrowings amounted to approximately RMB400.0 million.

As of June 30, 2018, we had net current liabilities of RMB543.9 million, as compared to net current liabilities of RMB738.3 million as of December 31, 2017. The decrease in net current liabilities was primarily (i) an increase in trade and other receivables and cash and cash equivalents as we expanded our power and EECS businesses for the first six months of 2018; and (ii) a decrease of loans and borrowings as we made repayments of certain of our bank loans and other borrowings.

As of December 31, 2017, we had net current liabilities of RMB738.3 million, as compared to net current liabilities of RMB553.9 million as of December 31, 2016. The increase in net current liabilities was primarily due to a contribution of RMB100.0 million for our 9.09% equity interest in Jinding Fund (based on actual contribution made) and an increase in short-term loans and other borrowings as non-current unsecured bank loans in an amount of RMB93.0 million was transferred to the current position as of December 31, 2017. Our current assets decreased by 22.6% from RMB989.9 million as of December 31, 2016 to RMB766.2 million as of December 31, 2017, mainly as a result of (i) a decrease of RMB265.3 million in other financial assets as we redeemed certain financial products in 2017 to repay a portion of our indebtedness; and (ii) a decrease of RMB80.1 million in trade and other receivables primarily due to a decrease in the amount due from related parties by approximately RMB97.7 million as result of the settlement made by the related parties to us, partially offset by an increase of RMB158.8 million in cash and cash equivalents primarily comprising the proceeds from the financial products we redeemed during the year. Our current liabilities decreased by 2.5% from RMB1,543.8 million as of December 31, 2016 to RMB1,504.4 million as of December 31, 2017, primarily due to a decrease of RMB169.0 million in loans and borrowings as we made loan repayments in 2017, partially offset by an increase of RMB104.6 million in trade and other payables, mainly due to more purchases of electricity we made during the year.

As of December 31, 2016, we had net current liabilities of RMB553.9 million, as compared to net current liabilities of RMB678.0 million as of December 31, 2015. The decrease in net current liabilities was primarily due to (i) a RMB537.6 million decrease in current loans and borrowings due to repayments we made in 2016; and (ii) a RMB54.9 million increase in other financial assets as we made additional investments in principal-guaranteed financial products in 2016, partially offset by (i) a decrease of RMB277.2 million in cash and cash equivalents as a result of the purchases of financial products and repayment of bank loans; (ii) a decrease of RMB127.2 million in trade and other receivables; and (iii) an increase of RMB79.4 million in trade and other payables and contract liabilities.

Our net current liabilities during the Track Record Period were mainly attributable to trade and other payables and our bank and other borrowings repayable in the next 12 months. They were primarily a result of the use of short-term and other borrowings to finance general working capital needs and capital expenditure. As of June 30, 2018, approximately 67.0% of our borrowings were short-term loans and were repayable in the next 12 months. For further details of the risks associated with net current liabilities, please see the section headed “Risk Factors — Risks Relating to Our Business — Our borrowing levels, interest payment obligations and net current liabilities could limit the funds available to us for business purposes” in this prospectus. Our Directors believe that we will have sufficient working capital based on cash flows from our operations, the unutilized banking facilities and the net proceeds from the Global Offering. As such, we believe our business operations and financial condition will not be materially and adversely affected by our net current liabilities position. During the Track Record Period and up to the Latest Practicable Date, we have taken systematic steps to restructure our short-term and long-term loan composition, especially by refinancing short-term borrowings to long-term borrowings and/or by increasing the amount of long-term loans applied to long-term capital expenditure or construction projects and to finance our general working capital needs, to improve our net current liabilities position. Specifically, we had been structuring the composition of our total debt by refinancing the short-term bank loans with long-term bank loans, and thereby, reducing the proportion of the short-term bank borrowings in our total debt. As of December 31, 2015, 2016 and 2017 and June 30, 2018, our total debt amounted to RMB1,519.5 million, RMB1,190.8 million, RMB893.2 million and RMB925.1 million, respectively, of which, RMB1,470.8 million, RMB933.2 million, RMB764.2 million and RMB625.1 million, respectively, were short-term loans and borrowings, representing approximately 96.8%, 78.4%, 85.6% and 67.6%, respectively, of our total debt. In addition, in 2018, we had borrowed several long-term bank loans to repay certain short-term bank loans that became due. For example, in March 2018, we replaced RMB230.0 million of short-term bank loan with the same amount of long-term bank loan. In July and August 2018, we also borrowed an aggregate RMB400.0 million of long-term bank loans, which we used together with our internally generated funds to repay approximately RMB430.0 million short-term bank loans that were due in July and August. As a result, as of October 31, 2018, we had total debt of RMB893.7 million, of which only RMB181.1 million were short-term bank loans, representing approximately 20.3% of our total debt. Our Directors confirm that (i) we will continue to closely monitor our net current liabilities position and optimize the composition of our indebtedness in order to achieve net current assets position; and (ii) when any of the above-mentioned short-term loans become due, we will either use our internally generated cash to repay them and/or refinance such short-term bank loans with long-term bank loans. For details of these long-term credit facilities, please refer to the section "Summary — Recent Development" in this prospectus. We expect to meet all of our payment obligations/commitments by using our cash and cash equivalents, cash generated from operations, unutilized bank facilities and additional bank and debt financing we may obtain.

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, cash generated from operations, unutilized banking facilities and additional bank and debt financings we may obtain, as well as estimated net proceeds from the Global Offering, our Directors believe, and the Sole Sponsor concurs, that we will be able to satisfy our liquidity requirement in the next 12 months.

Inventories

Overview

Our inventories consist of raw materials and spare parts. The following table sets forth the components of our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Raw material	25,327	33,167	31,956	45,259
Spare parts and others	189	284	176	241
Total	25,516	33,451	32,132	45,500

Our inventories of raw materials primarily consist of materials for engineering construction service business. Spare parts and others mainly include electric equipment and material merchandise and other construction and revolving materials relating to our engineering construction service business. Our inventories as of December 31, 2015, 2016 and 2017 and June 30, 2018 were RMB25.5 million, RMB33.5 million, RMB32.1 million and RMB45.5 million, respectively.

Our inventories increased by 41.6% to RMB45.5 million as of June 30, 2018 from RMB32.1 million as of December 31, 2017, mainly due to an increase in the number of electrical engineering construction projects we undertook, which required additional construction-related raw materials.

Our inventories decreased slightly to RMB32.1 million as of December 31, 2017 from RMB33.5 million as of December 31, 2016.

Our inventories increased by 31.1% to RMB33.5 million as of December 31, 2016 from RMB25.5 million as of December 31, 2015. The increase was primarily due to an increase in raw materials as a result of the additional business expansion projects we undertook in connection with our engineering construction service business in 2016.

As of November 30, 2018, approximately RMB40.2 million, or 88.4%, of our total inventories as of June 30, 2018 were subsequently utilized.

Contract Assets

A contract asset represents our right to consideration in exchange for goods or services that we have transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents our unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we recorded contract assets in the amount of RMB3.3 million, RMB4.1 million, RMB4.7 million and RMB13.3 million, respectively. The following table sets forth our contract assets and receivables from construction contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" as of the dates indicated:

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract assets				
Arising from performance under construction contracts	3,281	4,127	4,656	13,346
Receivables from construction contracts with customers within the scope of IFRS 15,which are included in "Trade and other receivables"	80,156	94,005	133,958	154,711

Our contract assets increased from RMB3.3 million as of December 31, 3015 to RMB4.1 million as of December 31, 2016, and further to RMB4.7 million as of December 31, 2017 and to RMB13.3 million as of June 30, 2018, primarily due to an increase in the amount of receivables that have incurred costs but have not yet been invoiced according to the underlying construction contracts as a result of the expansion in the scale of our EECS business during the Track Record Period.

As of November 30, 2018, approximately RMB3.7 million, or 27.8%, of our contract assets as of June 30, 2018 were subsequently settled.

Trade and Other Receivables

Our trade and other receivables consist primarily of (i) trade debtors and bill receivables due from our customers of our power business and EECS business; (ii) other receivables which include security deposit and reserved fund; (iii) prepayments and deposits which represents amounts prepaid to suppliers for purchase of electricity, raw materials and services; (iv) loans to third parties; and (v) amounts due from related parties, which represents prepayments we made to our related parties for purchase of electricity and electrical equipment and materials and receivables for our construction services rendered. The following table sets forth our trade and other receivables as of the dates shown.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	233,415	231,410	256,681	291,810
Bills receivable	3,500	3,641	3,582	9,320
Less: Allowance for doubtful debts	(65,209)	(79,744)	(80,572)	(78,838)
	171,706	155,307	179,691	222,292
Other receivables	47,979	41,379	33,919	37,280
Less: Allowance for doubtful debts	(14,526)	(15,254)	(15,950)	(15,457)
	33,453	26,125	17,969	21,823
Loans to third parties	44,447	29,934	29,534	29,534
Less: Allowance for doubtful debts	(30,545)	(29,878)	(29,534)	(29,534)
	13,902	56	–	–
Amounts due from related parties	275,114	202,017	104,344	67,370
Financial assets measured at amortised cost	494,175	383,505	302,004	311,485
Prepayments and deposits	38,945	22,448	23,803	35,021
Total	533,120	405,953	325,807	346,506

Our trade and other receivables as of December 31, 2015, 2016 and 2017 and June 30, 2018, were RMB533.1 million, RMB406.0 million, RMB325.8 million and RMB346.5 million, respectively. The decrease in our trade and other receivables from December 31, 2015 to December 31, 2017 was primarily due to (i) the decrease in amount due from related parties because in 2016 and 2017, the related parties of our Group settled the amounts due from our related parties and we no longer made prepayments to our related parties for the purchase of electricity and electrical equipment and materials; and (ii) the impairment allowances we made on the end-user tariff receivables that were deemed unrecoverable.

We record impairment allowances for trade and other receivables using an allowance account unless our Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly. As of December 31, 2015, 2016 and 2017, we made impairment on trade and other receivables of RMB25.3 million, RMB15.7 million and RMB1.2 million, respectively. For the six months ended June 30, 2018, we reversed the impairment recognized previously of RMB2.2 million. We did not hold any collateral or other security over such impaired amount. We believe that we have made sufficient provision for the unsettled trade and other receivables based on our assessment and impairment provision policy and no additional provision is necessary for the Track Record Period.

The following table sets forth an aging analysis of our trade debtors and bills receivables (which are included in trade and other receivables) as of the dates indicated.

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within six months (inclusive)	148,894	127,469	116,291	138,741
Six months to one year (inclusive)	7,707	15,805	33,942	47,793
One to two years (inclusive)	8,829	6,999	14,851	18,493
Two to three years (inclusive)	5,680	3,528	6,801	9,714
Three to four years (inclusive)	504	1,202	4,599	4,790
Four to five years (inclusive)	66	264	2,240	2,024
Over five years	26	40	967	737
Total	171,706	155,307	179,691	222,292

Our sales agreements typically stipulate that customers should pay the tariffs within five to 20 days after the meter reading date for each month. Since the wide use of smart electric meters in 2014, customers are required to make payment in advance and we started to have advances from customers.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Receivables that were past due are primarily enterprises of poor operation, coal mining companies and liquor producers that were shut down as a result of the deterioration in the PRC mining and liquor industries and public-utility companies. The balance of our trade receivables over six months mainly comprise sales made to our large industrial customers and general industrial and commercial customers. Some of these balances were unrecoverable and we made impairment allowances accordingly in 2015 and 2016 to write off the tariff receivables that were deemed unrecoverable due to long age or material deterioration of end-users' business, such as the suspension of their operations.

Our average trade receivable turnover days for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 were 49, 50, 48 and 50, respectively. We calculate the average trade receivable turnover days by averaging the opening and closing balances of trade receivables for the relevant year dividing revenue, multiplied by the number of days during the year/period. Our average trade receivable turnover days increased during the Track Record Period primarily due to slower settlement of the EECS business trade receivables, as our EECS customers tend to make payments beyond the existing credit terms.

The ageing analyses of both trade debtors and bills receivables are based on invoice date. As of November 30, 2018, approximately RMB74.3 million, or 25.5%, of our total trade debtors, before allowance for doubtful debts, as of June 30, 2018 were subsequently settled. As of November 30, 2018, approximately RMB9.3 million, or 99.2%, of our total bills receivables as of June 30, 2018 were subsequently settled.

Our other receivables are mainly prepaid travel expenses for our employees and non-trade receivables from other business units of our Group. As of November 30, 2018, approximately RMB2.9 million, or 7.8%, of our total other receivables as of June 30, 2018 were subsequently settled. In order to reduce the amount of other receivables, we intend to (i) formulate a system of collection of receivables and to settle receivables that are due on a timely basis; and (ii) establish and strengthen our internal control system to restrict the amount of advances to employees or other business units of our Group, and Standardize a set of procedures for prior assessment, in-process monitoring and control of such receivables.

Prepayments

Prepayments mainly represented the amounts prepaid to suppliers for purchase of electricity, raw materials and services. All of the prepayments are expected to be settled or recognized as profit or loss within one year.

Loan to Third Parties

During the Track Record Period, the carrying amount of the loans we made to third parties amounted to approximately RMB44.4 million, RMB29.9 million, RMB29.5 million and RMB29.5 million as of December 31, 2015, 2016 and 2017 and June 30, 2018, respectively.

Our PRC Legal Advisors have advised us that the provision of such loans did not fully comply with the General Lending Provisions (貸款通則) issued by the PBOC. However, based on the following reasons, our PRC Legal Advisors are of the view that (i) such loan are legally binding on the related parties; (ii) the provisions of such loan are not in violation of PRC mandatory laws and administrative regulations; and (iii) there will not be any material adverse legal consequences notwithstanding that we did not fully comply with the General Lending Provisions:

(i) according to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "Provisions"), (i) except under the circumstances as set forth in Article 52 of the Contract Law (合同法) or Article 14 of the Provisions, the people's court shall support a claim for the validity of a private lending contract signed as required for production or business operation among legal persons and other organizations; and (ii) the people's court shall support the claim by the lender for the payment of the interests under the lending contract where the annual interest rate agreed by the parties to the lending contract does not exceed 24%.

(ii) moreover, in accordance with the Legislation Law of the People's Republic of China (《中華人民共和國立法法》), National People's Congress and Standing Committee of the National People's Congress enact the laws; the State Council enacts administrative regulations in accordance with the constitution and the laws of the PRC, while the PBOC enacts rules in accordance with laws and administrative regulations. Hence, the General Lending Provisions issued by the PBOC are not laws and administrative regulations of the PRC.

(iii) according to the Provisions, the fact that the General Lending Provisions are not laws and administrative regulations of the PRC; and the confirmation provided by our Company that such loans provided by our Company to the related parties did not involve the circumstances as set forth in Article 52 of the Contract Law (合同法) or Article 14 of the Provisions and the annual interest rate of such loan is within the scope allowed by the Provisions.

Other Financial Assets

During the Track Record Period, we made investments in other financial assets. These financial assets represent short-term principal-protected financial products with various investment interest issued by licensed commercial banks in the PRC. These financial products we invested in during the Track Record Period can be redeemed on any workday. The following table sets forth our other financial assets as of the dates indicated:

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current				
Financial products(1)	210,385	265,278	–	–
Non-current				
Unlisted equity securities(2)	170	170	111,373	111,089
Total	210,555	265,448	111,373	111,089

Notes:

(1) Financial products were issued by a bank, which are guaranteed with variable investment income and can be redeemed on demand.

(2) On January 18, 2017, we entered into a fund establishment agreement, pursuant to which we agreed to make an investment of RMB100.0 million in Jinding Fund as an inferior limited partner.

Our other financial assets mainly consist of low-risk wealth management products that we purchase as part of our cash management strategy in order to obtain higher yields than we can receive on regular bank deposits, and investments in a fund as a limited partner. Our other financial assets as of June 30, 2018 primarily consisted of a RMB111.1 million investment we made in Jinding Fund in January and March 2017. As a result of our investment in Jinding Fund, we became a limited partner in the fund. According to the partnership agreement, the investment period is no less than three years but not exceeding five years. Any loss from such investment is guaranteed by Sichuan Jinding, one of our connected persons, and a minimum annual yield of 8.0% is guaranteed by Sichuan Jinding Fund Management, another limited partner in Jinding Fund. We made strategic investments in Jinding Fund mainly because (i) according to agreement, the projected investment income is relatively high, with an expected annual rate of return of 8.0%, which, we believe, is higher than the fixed rate returns from cash deposits at commercial banks; (ii) we believe the investment has limited risk exposure due to Sichuan Jinding's counter-guarantee; and (iii) by making such investment, we believe we can optimize our industry value chain, further explore and capitalize on power generation and power business cooperation opportunities. For further details of our investment in Jinding Fund and the counter-guarantee provided by Sichuan Jinding, please see "Connected Transactions — Continuing Connected Transactions – Counter-guarantee Provided by Sichuan Jinding" in this prospectus and notes 17 and 30 of the Accountants' Report included in Appendix I to this prospectus.

Our Investment Policies

During the Track Record Period, we managed our surplus cash mainly through investing in short-term financial products issued by certain licensed banks that we believe have relatively low risks and offer better returns than cash deposits at licensed commercial banks in the PRC. Accordingly, we generally adopt investment measures that govern our investments in such financial assets. These measures include, among other things, the following:

- Investments shall be in strict compliance with national or industrial policy and shall follow the national laws and regulations;
- Investments shall be beneficial to the operation and other business activities of our Company, without prejudice to the interests of our Company and shall ensure the capital preservation and appreciation of the financial assets;
- Investments shall be made when we have surplus cash that is not required for our short-term working capital purposes;
- Investments shall be ensure legitimacy, scientific and rational; and
- Management shall effectively manage investment risks and safeguard interests of our Company.

Risk Management Policies and Internal Control Measures

To better detect and manage the risks we are exposed to in connection with our operations, we have formulated a series of comprehensive risk management measures to analyze and control the risks involved in various aspects of our business operation, including fixed assets management, financial management and financial assets procurement and sales control and project management. Details of the risk management measures are as follows:

- Our financial asset department is mainly responsible for managing wealth management business, providing risk analysis on risks involved in financial and investment matters, preparing our Short-term Wealth Management and Investment Proposal and conducting feasibility analysis;
- Our business units implement a strict multi-level assessment system for procurement and payment. The supplies procurement contracts with significant amount shall be signed by the relevant personnel in charge of procurement at the level of deputy general manager or above, and shall be subject to the final review by our financial controller and management; and

- Our comprehensive management department is mainly responsible for conducting study and assessment on fixed asset suppliers, continuously optimizing and improving the administrative procurement system; our investment development department is mainly responsible for building the supplier database and management of suppliers; and our financial asset department is responsible for supervising the implementation of assets purchasing within budget and off-budget as well as the management of assets breakdown.

In order to strictly adhere to our treasury and investment policies, we also established a set of internal control procedures relating to our investments in other financial assets during the Track Record Period. The following sets for the detailed internal control measures:

- After confirming the existence of cash surplus, our financial asset department will compile documents for wealth management investment based on the feasibility study on the gains and risks of external investment, prepare the Short-term Wealth Management and Investment Proposal detailing the investment conditions, investment environment, credit information of the investee, investment budget and economic benefits, and submit such proposal to us for consideration and approval;

- Wealth management investment shall be conducted through collective decision-making process with complete written records. Decisions on external investment or alteration of collective decision by any individual without proper cause is strictly prohibited;

- After being considered and approved in writing by the chairman of the Board, investment shall be conducted only after being considered and approved in accordance with our internal policies;

- Single investment amounting to RMB5 million or below and investment in the same company with accumulated investment amount of RMB5 million or below in the last 12 consecutive months shall be determined by the chairman of the Board; investment with accumulated investment amount of over RMB5 million within one accounting year and not exceeding 30% of the latest audited total assets shall be determined by the Board; and investment exceeding the above amount shall be submitted to the general meeting of our shareholders for consideration and approval;

- During the process of investment, our financial department shall make settlement with the financial institutions in a timely manner in accordance with the terms of the agreements entered into with such financial institutions. In the event of significant fluctuations in interest rates, our financial department shall conduct analysis in a timely manner and submit the relevant information to the chairman of the Board; and

- Upon maturity of the wealth management products, our financial department shall take timely measures to collect the principal and interest on the short-term investment and apply the relevant accounting treatment.

Restricted Deposits

Restricted deposits as of December 31, 2015 and 2016 represented deposits in bank and can only be used upon approval from Sichuan Development, the ultimate controlling shareholder of our Group. Such restricted deposits had been released in September 2017. For details of Sichuan Development, please see the section headed "Relationship with Controlling Shareholders — No Competition between our Group and our Controlling Shareholders – (C) Our Group and Sichuan Development Co." in this prospectus. As of June 30, 2018, the restricted deposits of RMB2.0 million represented the deposit used to obtain a letter of guarantee issued by a bank.

Cash and Cash Equivalents

Our cash and cash equivalents comprised cash on hand and cash at banks. Our cash and cash equivalents as of December 31, 2015, 2016 and 2017 and June 30, 2018 were RMB514.2 million, RMB237.0 million, RMB395.8 million and RMB455.5 million, respectively. For further details of the increase or decrease of the balance of our cash and cash equivalents, please see the section headed "Financial Information — Liquidity and Capital Resources — Cash Flows Analysis" in this prospectus.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables to third-party electricity suppliers; (ii) other payables to electrical engineering construction projects; and (iii) purchases of electrical equipment and materials. Our trade and other payables as of December 31, 2015, 2016 and 2017 and June 30, 2018 were RMB452.5 million, RMB486.9 million, RMB591.5 million and RMB619.8 million, respectively.

The following table sets forth our trade and other payables as of the dates indicated.

	As of December 31,			As of June 30
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	136,678	235,773	335,269	346,478
Other payables	193,889	149,878	136,850	131,128
Interest payables	19,835	6,304	5,869	5,149
Dividend payables	261	–	–	30,898(1)
Employee benefits payables	59,407	61,967	60,274	24,550
Other tax payables	7,458	8,658	10,408	7,055
Amount due to related parties	34,994	24,356	42,871	74,534
Total	452,522	486,936	591,541	619,792

Note:

(1) As of the Latest Practicable Date, such amount has been fully paid to the relevant shareholders.

From December 31, 2017 to June 30, 2018, our trade and other payables increased by RMB28.3 million primary as a result of declaration of dividends for 2017 in the amount of RMB64.4 million. From December 31, 2016 to December 31, 2017, our trade and other payables increased by RMB104.6 million, primarily as a result of an increase of RMB99.5 million in trade payables mainly due to more purchases of electricity we made in 2017 as a result of the unfavorable hydrological conditions and the increased demand of electricity from our customers during the year partially offset by a decrease of RMB13.0 million in other payables. From December 31, 2015 to December 31, 2016, our trade and other payables increased by RMB34.4 million, primarily due to the accumulated amount of trade payables to third-party electricity suppliers and that a supplier was having difficulty in collecting payments due to on-going internal reorganizations.

The following table sets forth an aging analysis of our trade payables (which are included in trade and other payables) as of the dates indicated.

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within one year (inclusive)	126,654	211,343	304,945	328,627
One to two years (inclusive)	969	18,453	23,844	13,887
Two to three years (inclusive)	2,820	463	3,735	296
Over three years	6,235	5,514	2,745	3,668
Total	136,678	235,773	335,269	346,478

Our average trade payable turnover days for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 were 38, 50, 68 and 64, respectively. We calculate average trade payable turnover days using the average of the opening and closing balances of trade payables of the relevant year, divided by cost of sales, multiplied by the number of days during the year/period. The increase during the Track Record Period primarily because (i) a third-party electricity supplier was having difficulty in collecting payments due to on-going internal reorganizations during the Track Record Period, which led to more administrative procedures and time to reconcile payable balance with us; and (ii) the increase in trade payables mainly due to more purchases of electricity we made in 2017 and 2018.

The ageing analyses of trade payables are based on invoice date. As of November 30, 2018, approximately RMB159.7 million, or 46.1%, of our total trade payables as of June 30, 2018 were subsequently settled.

Our other payables primarily consist of deposits relating to our power and EECS business and payables for fixed asset-related construction projects. As of November 30, 2018, approximately RMB17.2 million, or 13.1%, of our total other payables as of June 30, 2018 were subsequently settled. We intend to improve the settlement of our other payables by (i) timely returning deposits at the end of the warranty periods; and (ii) making payments promptly in accordance of the terms of the engineering construction project contracts.

Our Directors confirmed that we had no material defaults in our trade and other payables during the Track Record Period.

Contract Liabilities

A contract liability represents our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer. As of December 31, 2015, 2016 and 2017 and June 30, 2018, we recorded contract liabilities in the amount of RMB62.4 million, RMB107.4 million, RMB133.7 million and RMB148.5 million, respectively. The following table sets forth breakdown of our contract liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract liabilities				
Construction contracts				
– Billings in advance of performance	21,125	17,628	17,986	21,026
Power business				
– Sales advances	41,276	89,733	115,668	127,461
	62,401	107,361	133,654	148,487

Our contract liabilities increased from RMB62.4 million as of December 31, 2015 to RMB107.4 million as of December 31, 2016, and further to RMB133.7 million as of December 31, 2017 and to RMB148.5 million as of June 30, 2018, primarily as a result of an increase in the advances from our EECS customers as a result of the increase in the scale of our EECS business and an increase in number of customers using smart power meters which required electricity top up as prepayment as a result of the popularization of prepaid smart power meters during the Track Record Period.

Deferred Income

Deferred income of our Group represents government grants in respect of our Group's construction of the plants and equipment for power supply. The following table sets forth our deferred income as of the dates indicated.

	As of December 31,			As of June 30,
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At January 1	179,624	181,009	172,848	166,807
Additions	8,056	643	2,123	–
Credited to profit or loss	(6,671)	(8,804)	(6,983)	(3,549)
Other decrease	–	–	(1,181)	–
At December 31	181,009	172,848	166,807	163,258
Less: Current portion of deferred income	(6,716)	(6,754)	(6,983)	(6,997)
	174,293	166,094	159,824	156,261

The government grants relating to the construction of the plants and equipment for power supply we recognized as deferred income as of December 31, 2015, 2016 and 2017 and June 30, 2018 amounted to RMB174.3 million, RMB166.1 million, RMB159.8 million and RMB156.3 million, respectively. The relevant PRC government authorities typically conduct periodic review on our proposals relating to the construction of power grids and equipment for power supply and allocate grants to us based the satisfaction of various conditions in connection with such proposals, which generally include, among others, (i) completing the construction design drawing; (ii) submitting the proposed use of funds; (iii) adhering to the proposed use of funds according to fund management procedures; (iv) conducting construction based on reviewed work scheme; and (v) timely fulfilling power supply obligations.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Capital Expenditure

In the past, we primarily incurred capital expenditure for power grid construction, power grid renovation and purchases of machinery and equipment. The following table sets forth our capital expenditures for the periods indicated.

	For the years ended December 31,			For the six months ended June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Power grid construction and renovation	79,246	77,685	52,919	29,417
Purchases of machinery and equipment	28,794	34,326	44,824	7,630
	108,040	112,011	97,743	37,047

For the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 our total capital expenditures were RMB108.0 million, RMB112.0 million, RMB97.7 million and RMB37.0 million, respectively.

We expect to incur capital expenditures of approximately RMB101.4 million, RMB211.3 million and RMB250.0 million in 2018, 2019 and 2020. Our expected capital expenditures in 2018, 2019 and 2020 will be primarily for the construction of higher voltage power supply network, the construction of our centralized power dispatch control center. We expect to finance our capital expenditures through a combination of operating cash flows, unutilized banking facilities and the net proceeds from the Global Offering. We may adjust our capital expenditures for any given period according to our development plans or in light of market conditions and other factors we believe to be appropriate. The table below sets forth a breakdown of our expected capital expenditures for the periods indicated.

	For the years ending December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Power grid construction and renovation	82,874	202,682	245,000
Purchase of machinery and equipment	18,570	8,643	5,000
Total	101,444	211,325	250,000

Capital Commitments

We have certain capital commitments relating to the construction of our centralized power dispatch control center. We classified a commitment as authorized, but not contracted for if our management has identified the potential capital commitment and has determined that it is more likely than not to make the commitment. The following table sets forth our capital commitments outstanding for the periods indicated.

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Contracted for	19,833	16,545	48,772	31,963	25,370

Operating Lease Commitments

The following table sets forth our total commitments for future minimum lease payments under non-cancellable operating leases for the periods indicated. The operating leases relate to rental payables for our leased properties.

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Within one year	1,398	1,466	1,072	1,004	750
After one year but within five years	2,314	1,553	388	758	814
After five years	107	104	171	140	254
Total	3,819	3,123	1,631	1,902	1,818

INDEBTEDNESS

Our indebtedness during the Track Record Period and as of October 31, 2018, the date being the latest practicable date for the purpose of the statement of indebtedness, mainly consisted of bank loans, bank overdrafts and corporate bonds. The table below sets forth our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Non-current					
Unsecured bank loans	200,000	230,000	222,000	429,000	829,000
Secured bank loans	12,000	–	–	–	–
Loans from Hydropower Group	43,277	37,623	–	–	–
Other borrowings	23,922	22,922	20,732	15,144	14,738
Corporate bond	200,000	–	–	–	–
Less: Current portion of non-current unsecured bank loans	(200,000)	(8,000)	(93,000)	(129,000)	(131,060)
Current portion of non-current secured bank loans	(4,000)	–	–	–	–
Current portion of non-current loans from Hydropower Group	(2,604)	(2,070)	–	–	–
Current portion of other borrowings	(23,922)	(22,922)	(20,732)	(15,144)	(14,738)
Current portion of corporate bond	(200,000)	–	–	–	–
	48,673	257,553	129,000	300,000	697,940
Current					
Bank overdrafts	550,269	330,234	300,473	300,929	–
Unsecured bank loans	490,000	570,000	350,000	180,000	50,000
Current portion of non-current unsecured bank loans	200,000	8,000	93,000	129,000	131,060
Current portion of non-current secured bank loans	4,000	–	–	–	–
Current portion of non-current loans from Hydropower Group	2,604	2,070	–	–	–
Current portion of other borrowings	23,922	22,922	20,732	15,144	14,738
Current portion of corporate bond	200,000	–	–	–	–
	1,470,795	933,226	764,205	625,073	195,798
Total	1,519,468	1,190,779	893,205	925,073	893,738

From June 30, 2018 to October 31, 2018, the total amount of our indebtedness decreased by RMB31.3 million, primarily as a result of (i) a decrease of RMB300.9 million in bank overdrafts; and (ii) a decrease of RMB130.0 million in short-term unsecured bank loans, mainly because we made repayments of the bank overdrafts and short-term unsecured bank loans in July and August 2018 as they became due. Such decrease was partially offset by an increase of RMB400.0 million in long-term unsecured bank loans as we borrowed more long-term loans to refinance our bank overdrafts and short-term bank loans as mentioned before. From December 31, 2017 to June 30, 2018, the total amount of our indebtedness increased by RMB31.9 million, primarily as a result of an increase of RMB171.0 million in long-term bank borrowings. These were partially offset by the decrease of short-term bank borrowings in the amount of RMB139.1 million. From December 31, 2016 to December 31, 2017, the total amount of our indebtedness decreased by RMB297.6 million, primarily as a result of repayment of certain bank loans and bank drafts during the period. From December 31, 2015 to December 31, 2016, the total amount of our indebtedness decreased by RMB328.7 million, primarily as a result of repayment of certain bank loans, bank overdrafts and corporate bonds during the period.

We and Hydropower Group participated in a cash pool management provided by Bank of Shanghai since 2014. According to the cash pool management arrangement, our Group can overdraw bank overdrafts not exceeding the lower of granted maximum facility amounts and certain percentage of the total deposit balances of bank accounts in the cash pool. The total deposit balances of bank accounts in the cash pool were RMB815.7 million, RMB507.7 million, RMB461.6 million, RMB492.0 million, and RMB436.2 million while Hydropower Group's deposit balance in the cash pool were RMB492.3 million, RMB464.9 million, RMB408.3 million, and RMB490.0 million and RMB434.4 million as at December 31, 2015, 2016 and 2017 and June 30, 2018 and October 31, 2018, respectively. The bank overdrafts were interest bearing at an interest calculated based on the withdrawal amounts and the demand deposit interest rate plus fixed charge of 0.45%, 0.45%, 0.80% and 0.80% of granted maximum facility amounts as at December 31, 2015, 2016, 2017 and June 30, 2018, respectively. The bank overdraft arrangement relating to the cash pool management agreement expired on August 29, 2018 and we did not subsequently renew such agreement. The cash pool arrangement will be terminated before Listing.

Our bank loans primarily consist of unsecured bank loans and carried weighted average interest rates of 5.1%, 4.7%, 4.5% and 4.7% per annum for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018, respectively.

Our other borrowings mainly consisted of interest-free borrowings from several County Bureaus of Finance in Yibin City, which we use to finance the construction of our power grid.

Our corporate bond consisted of a two-year asset-backed note issued by us through interbank market to specific investors. The face value of the note is RMB200.0 million and carried coupon interest rates of 7.2% per annum.

The following table sets forth the maturity profile of our borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2015	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Bank loans and overdrafts:					
Within one year or on demand	1,244,269	908,234	743,473	609,929	181,060
After one year but within two years	4,000	80,000	129,000	300,000	501,940
After two years but within five years	4,000	142,000	–	–	196,000
	1,252,269	1,130,234	872,473	909,929	879,000
Loans from Hydropower Group and other borrowings:					
Within one year or on demand	26,526	24,992	20,732	15,144	14,738
After one year but within two years	4,033	4,380	–	–	–
After two years but within five years	13,140	13,140	–	–	–
After five years	23,500	18,033	–	–	–
	67,199	60,545	20,732	15,444	14,738
Corporate bond:					
Within one year or on demand	200,000	–	–	–	–
	200,000	–	–	–	–
Total	1,519,468	1,190,779	893,205	925,073	893,738

As of October 31, 2018, being the latest practicable date for the purpose of this indebtedness statement, we had total borrowings of RMB893.7 million. Our Directors confirm that, saved for those disclosed in the section headed "Summary — Recent Development", there has not been any material change in the indebtedness commitments and contingent liabilities of our Group since June 30, 2018, and up to the Latest Practicable Date. Save for the aforesaid and the Global Offering, our Group has no external financing plan as of the Latest Practicable Date.

Our Directors confirm that we did not have any material defaults in payment of trade and other payables or bank and other borrowings, and we did not have any breach of financial covenants during the Track Record Period. As of the Latest Practicable Date, our Group had a total unutilized banking facilities amounted to approximately RMB1.0 billion.

Contingent Liabilities and Guarantees

As of June 30, 2018, being the latest date for liquidity disclosure, we did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against us. Please also see the section headed "Connected Transactions — Continuing Connected Transactions — Exempt Continuing Connected Transactions — Counter-guarantee Provided by Sichuan Jinding" in this prospectus for details of the difference top-up undertaking provided by our Group to Bohai Trust.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into various transactions with related parties. The following table sets forth information relating to our transactions with our related parties during the periods indicated.

Financing Arrangements

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Repayment of loans from our Controlling Shareholder:					
– Hydropower Group	(9,981)	(5,654)	(37,623)	(2,148)	–
Loans repaid by the related parties:					
– A fellow subsidiary	130,000	–	–	–	–
– An associate	–	–	–	–	1,000
Interest expense to:					
– Hydropower Group	(3,186)	(2,210)	(1,376)	(932)	–
Interest income from:					
– A fellow subsidiary	9,419	–	–	–	–
(Advance to)/repayment of advance to:					
– Hydropower Group	(43,071)	90,013	89,127	(174)	2,503
– An associate	2,880	–	–	–	–
– A fellow subsidiary	–	–	1,000	–	–

Sale/purchase with Related Parties

	Year ended December 31,			Six months ended June 30,	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases of goods/assets from:					
– Fellow subsidiaries	898	22,369	4,060	1,637	–
– Associates	12,447	15,345	15,734	4,871	2,137
Sales of service to:					
– Hydropower Group	10,180	52,749	20,652	–	–
– Fellow subsidiaries	9,201	31,460	95,482	49,384	17,805
Purchases of services from:					
– Fellow subsidiaries	6,323	4,712	8,196	2,363	1,892

The table below sets for outstanding balances with related parties as of the periods indicated.

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from:				
Non-trade related				
Dividend receivable				
– An associate	–	–	–	6,591
Other non-trade related				
– Hydropower Group	184,898	94,885	5,758	3,255
– Fellow subsidiaries	33,185	22,073	–	–
– An associate	48,563	48,563	48,563	–
Trade related				
– Hydropower Group	347	5,417	20,623	19,826
– Fellow subsidiaries	8,121	30,781	29,400	37,698
– An associate	–	298	–	–
	275,114	202,017	104,344	67,370
Amounts due to:				
Non-trade related				
Dividend payables				
– Hydropower Group	–	–	–	31,552
– Ultimate Controlling Company	–	–	–	1,995
– Shareholder with significant influence over our Group	11,765	–	–	–
Other non-trade related				
– Fellow subsidiaries	8,252	8,240	–	–
– An associate	–	–	30,000	30,000
Trade related				
– Hydropower Group	126	71	13	–
– Fellow subsidiaries	14,764	15,721	12,648	10,888
– Associates	87	324	197	99
– Holding Company of Hydropower Group	–	–	13	–
	34,994	24,356	42,871	74,534
Loans from:				
– Hydropower Group	43,277	37,623	–	–

In accordance with IAS 24 "Related Party Disclosures," state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government are regarded as related parties of our Group.

Our Group operates in an economic environment predominated by state-owned enterprises. During the Track Record Period, our Group had transactions with state-owned enterprises including, but not limited to, water supply, operating services and construction services.

It is the view of our Directors that these transactions are conducted in the ordinary course of our Group's business on terms comparable to those with other entities that are not state-owned. Our Group has established its buying, pricing strategy and approval process for purchase and sales of products and services. Such buying, pricing strategy approval processes do not depend on whether the counterparties are state-owned entities or not. Our Directors confirmed that all related party transactions were on normal commercial terms. Having due regard to the substance of the relationships, Our Directors are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with Hydropower Group as disclosed above. The Directors confirm that all of the non-trade balance with the related parties will be settled before Listing.

Please refer to Note 30 or the Accountants' Report included in Appendix I to this prospectus and the section headed "Connected Transactions" in this prospectus for further information.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2015	**2016**	**2017**	**2018**
Gross profit margin(1)	20.5%	19.4%	17.4%	19.5%
Net profit margin(2)	6.5%	7.0%	6.7%	9.8%
Current ratio(3)	0.7	0.6	0.5	0.6
Net debt to equity ratio(4)	44.9%	45.6%	22.7%	21.2%
Gearing ratio(5)	68.3%	57.2%	41.4%	42.4%
Interest coverage ratio(6)	2.7	3.7	4.5	7.6
Return on average equity(7)	4.8%	5.7%	6.0%	N/A
Return on average total assets(8)	2.4%	2.8%	3.1%	N/A

Notes:

(1) Gross profit margin was calculated based on our gross profit for the year/period divided by our revenue for the same year/period.

(2) Net profit margin was calculated based on our net profit for the year/period divided by our revenue for the same year/period.

(3) Current ratio was calculated based on our total current assets as of the respective dates divided by our total current liabilities as of the same dates.

(4) Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year/period divided by total equity at the end of the year/period.

(5) Gearing ratio was calculated based on our interest-bearing liabilities as of the respective dates divided by our total equity as of the same dates.

(6) Interest coverage ratio equals profit before interest and tax of the year/period divided by finance cost of the same year/period.

(7) Return on average equity was calculated based on our profit attributable to equity shareholders of our Company divided by the average balance of our total equity (excluding non-controlling interests) at the beginning and the end of the year and multiplied by 100%. We did not calculate the return on average equity for the six months ended June 30, 2018 for the purpose of comparison as we believe it is not meaningful to compare the ratio for the six months ended June 30, 2018 with the ratio for the year ended December 31, 2017.

(8) Return on average total assets was calculated based on our profits for the year divided by the average balance of our total assets as of the beginning and the end of the year and multiplied by 100%. We did not calculate the return on average total assets for the six months ended June 30, 2018 for the purpose of comparison as we believe it is not meaningful to compare the ratio for the six months ended June 30, 2018 with the ratio for the year ended December 31, 2017.

Gross Profit Margin

Our gross profit margin decreased from 20.5% for the year ended December 31, 2015 to 19.4% for the year ended December 31, 2016 and further decreased to 17.4% for the year ended December 31, 2017, mainly due to (i) a decrease in the gross profit margin of our power business in 2017, mainly because we generated less power in 2017 as compared to 2016 due to unfavorable hydrological conditions in 2017, which caused us to purchase additional electricity from third-party suppliers at a relatively higher price to satisfy customer demand, as well as a slight decrease in the average unit price of electricity we sold; and (ii) an increase in our EECS business, which had a gross profit margin of approximately 20%. Our gross profit margin increased from 17.4% for the year ended December 31, 2017 to 19.5% for the six months ended June 30, 2018 as a result of the improvement in gross profit margin of our power business due to the savings in labor cost and increased gross profit margin of our EECS business.

Net Profit Margin

Our net profit margin increased from 6.5% for the year ended December 31, 2015 to 7.0% for the year ended December 31, 2016, mainly due to decreases in finance costs in 2016. It decreased to 6.7% for the year ended December 31, 2017, primarily due to (i) a reduction in the gross profit margin of our power business and EECS business; (ii) an increase of administrative expenses by approximately RMB17.8 million, mainly driven by the increase of staff cost and Listing expenses; and (iii) an increase in impairment loss on property, plant and equipment by approximately RMB12.4 million as a result of certain obsolete equipment that was deemed out of use after our Group regularly carried out fixed asset inspections. It increased to 9.8% for the six months ended June 30, 2018, primarily due to an increase in our gross profit margin for the period.

Current Ratio

Our current ratio remained relatively stable at 0.7 as of December 31, 2015 and 0.6 as of December 31, 2016. It decreased slightly to 0.5 as of December 31, 2017, mainly due to the investments of long-term other financial assets we made in 2017, as well as the increase of trade and other payables as we made more purchases of electricity in 2017. It increased to 0.6 as of June 30, 2018, primarily due to the refinancing of certain short-term bank loans to long-term bank loans in first half of 2018.

Net Debt to Equity Ratio

Our net debt to equity ratio increased from 44.9% as of December 31, 2015 to 45.6% as of December 31, 2016, mainly due to a decrease in cash and cash equivalents as of December 31, 2016. Our net debt to equity ratio decreased to 22.7% as of December 31, 2017, mainly due to the repayment of our indebtedness, such as bank borrowings, amounting to approximately RMB297.6 million and increase in cash and cash equivalents as a result of the redemption of other financial assets in 2017. Our net debt to equity ratio further decreased to 21.2% as of June 30, 2018, mainly due to an increase in cash and cash equivalents as a result of additional proceeds of bank loans and cash generated from our operations.

Gearing Ratio

Our gearing ratios decreased from approximately 68.3% for the year ended December 31, 2015 to 57.2% as of December 31, 2016, mainly due to decreases in our bank overdrafts and corporate bonds. It further decreased to 41.4% as of December 31, 2017, primarily due to our repayment of the indebtedness mainly comprising bank borrowings, which amounted to approximately RMB297.6 million. It remains relatively stable at 42.4% as of June 30, 2018.

Interest Coverage Ratio

Our interest coverage ratio increased from 2.7 as of December 31, 2015 to 3.7 as of December 31, 2016 and further increased to 4.5 as of December 31, 2017, mainly due to increases in our profit before taxation in 2016 and decreases in finance cost in 2016 and 2017 as a result of the repayment of our indebtedness. It increased to 7.6 as of June 30, 2018, mainly due to an increase in our net profit and a decrease in our finance cost for the six months ended June 30, 2018.

Return on Average Equity

The return of average equity increase from approximately 4.8% for the year ended December 31, 2015 to 5.7% for the year ended December 31, 2016, mainly due to net profit growth of approximately 12.3% for the year ended December 31, 2016 as compared with the year ended December 31, 2015. For the year ended December 31, 2017, the return of average equity increased to 6.0%, mainly due to an increase in our profit attributable to the equity owners of our Company as a result of an increase in our net profit by approximately 6.0% in 2017.

Return on Average Total Assets

Our return on total assets increased from approximately 2.4% for the year ended December 31, 2015 to 2.8% for the year ended December 31, 2016, mainly due to our increased profit for the year in 2016. It remained relatively stable at 3.1% for the year ended December 31, 2017.

WORKING CAPITAL

We finance our working capital needs primarily through cash flow from operating activities, bank loans, bank overdrafts and corporate bonds. Taking into account the financial resources available to our Group, including the cash flow from operating activities, the unutilized banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Credit Risk

Our Group's credit risk is primarily attributable to trade receivables and contract assets, other receivables and loans to third parties. Our Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks, for which our Group considers to have low credit risk.

(i) Credit risks arising from trade receivables and contract assets

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As at December 31, 2015, 2016 and 2017 and June 30, 2018, nil, nil and nil and 0.4% of the total trade receivables and contract assets were due from our Group's largest customer, and 1.6%, 0.7% and 0.9% and 11.0% of the total trade receivables and contract assets were due from the five largest customers, respectively.

In respect of trade receivables and contract assets, our Group disaggregated the trade receivables and contract assets from power business and EECS business as the customers from these business shows different credit risk characteristics. The following table provides information about our Group's exposure to credit risk and expected credit losses for trade receivables and contract assets from each business as of December 31, 2015, 2016, 2017 and June 30, 2018, respectively.

- *Power business*

As of December 31, 2015

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	80,974	(406)
Six months to one year (inclusive)	15%	8,773	(1,316)
One to two years (inclusive)	100%	16,254	(16,239)
Two to three years (inclusive)	100%	7,620	(7,613)
Three to four years (inclusive)	100%	1,155	(1,154)
Four to five years (inclusive)	100%	2,100	(2,100)
Over five years	100%	7,353	(7,353)
		124,229	(36,181)
Individually impaired	100%	22,550	(22,550)
		146,779	(58,731)

As of December 31, 2016

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	55,564	(278)
Six months to one year (inclusive)	15%	1,403	(210)
One to two years (inclusive)	96%	16,078	(15,397)
Two to three years (inclusive)	97%	15,972	(15,566)
Three to four years (inclusive)	99%	7,509	(7,426)
Four to five years (inclusive)	99%	1,155	(1,142)
Over five years	100%	9,349	(9,349)
		107,030	(49,368)
Individually impaired	100%	23,044	(23,044)
		130,074	(72,412)

As of December 31, 2017

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	24,824	(126)
Six months to one year (inclusive)	15%	2,201	(330)
One to two years (inclusive)	68%	13,643	(9,336)
Two to three years (inclusive)	71%	15,570	(11,001)
Three to four years (inclusive)	74%	15,172	(11,285)
Four to five years (inclusive)	74%	7,506	(5,585)
Over five years	90%	8,647	(7,782)
		87,563	(45,445)
Individually impaired	100%	25,605	(25,605)
		113,168	(71,050)

As of June 30, 2018

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	28,412	(144)
Six months to one year (inclusive)	15%	20,161	(3,024)
One to two years (inclusive)	68%	9,214	(6,305)
Two to three years (inclusive)	71%	12,209	(8,626)
Three to four years (inclusive)	74%	15,716	(11,690)
Four to five years (inclusive)	74%	6,641	(4,920)
Over five years	90%	6,175	(5,559)
		98,528	(40,268)
Individually impaired	100%	25,605	(25,605)
		124,133	(65,873)

- *EECS business*

As of December 31, 2015

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	68,433	(326)
Six months to one year (inclusive)	4%	260	(10)
One to two years (inclusive)	20%	11,017	(2,203)
Two to three years (inclusive)	30%	8,104	(2,431)
Three to four years (inclusive)	60%	1,257	(754)
Four to five years (inclusive)	80%	328	(262)
Over five years	95%	518	(492)
		89,917	(6,478)

As of December 31, 2016

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	73,013	(344)
Six months to one year (inclusive)	4%	15,221	(609)
One to two years (inclusive)	20%	7,898	(1,580)
Two to three years (inclusive)	30%	4,460	(1,338)
Three to four years (inclusive)	60%	2,798	(1,679)
Four to five years (inclusive)	80%	1,257	(1,006)
Over five years	95%	816	(776)
		105,463	(7,332)

As of December 31, 2017

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	93,109	(442)
Six months to one year (inclusive)	4%	33,407	(1,336)
One to two years (inclusive)	20%	13,180	(2,636)
Two to three years (inclusive)	30%	3,188	(956)
Three to four years (inclusive)	60%	1,781	(1,069)
Four to five years (inclusive)	80%	1,466	(1,147)
Over five years	95%	2,038	(1,936)
		148,169	(9,522)

As of June 30, 2018

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within six months (inclusive)	0.5%	115,007	(508)
Six months to one year (inclusive)	4%	31,933	(1,277)
One to two years (inclusive)	20%	19,480	(3,896)
Two to three years (inclusive)	30%	8,758	(2,627)
Three to four years (inclusive)	60%	1,911	(1,147)
Four to five years (inclusive)	80%	1,514	(1,211)
Over five years	95%	2,420	(2,299)
		181,023	(12,965)

Expected loss rates are based on actual loss experience over the past five years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and our Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the Track Record Period is as follows:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	62,823	65,209	79,744	80,572
Impairment loss recognized/(reversed)	20,940	15,601	870	(1,734)
Uncollectible amounts written-off	(18,554)	(1,066)	(42)	–
At December 31/June 30	65,209	79,744	80,572	78,838

(ii) Credit risks arising from other receivables and loans to third parties

Our Group's exposure to credit risk from other receivables and loans to third parties influenced mainly by the individual characteristics of each creditors. Loss allowances for these receivables are always measured at an amount equal to lifetime expected credit losses which are estimated based on our Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Movement in the loss allowance account in respect of other receivables and loans to third parties during the Track Record Period is as follows:

	As of December 31,			As of June 30,
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At January 1	51,464	45,071	45,132	45,484
Impairment loss recognized/(reversed)	4,320	61	352	(493)
Uncollectible amounts written-off	(10,713)	–	–	–
At December 31/June 30	45,071	45,132	45,484	44,991

Liquidity Risk

Individual operating entities within our Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by our Company's board when the borrowings exceed certain predetermined levels of authority. Our Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each year of the Track Record Period of our Group non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each year of the Track Record Period) and the earliest date our Group can be required to pay.

	As of December 31, 2015 Contractual undiscounted cash flow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	452,522	–	–	–	452,522	452,522
Loans and borrowings	1,529,634	8,714	18,050	24,123	1,580,521	1,519,468
	1,982,156	8,714	18,050	24,123	2,033,043	1,971,990

	As of December 31, 2016 Contractual undiscounted cash flow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables	486,936	–	–	–	486,936	486,936
Loans and borrowings	952,790	90,282	182,760	20,085	1,245,917	1,190,779
	1,439,726	90,282	182,760	20,085	1,732,853	1,677,715

	As of December 31, 2017 Contractual undiscounted cash flow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . .	591,541	–	–	–	591,541	591,541
Loans and borrowings	1,025,269	135,128	–	–	1,160,397	893,205
	1,616,810	135,128	–	–	1,751,938	1,484,746

	As of June 30, 2018 Contractual undiscounted cash flow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables . .	619,792	–	–	–	619,792	619,792
Loans and borrowings	646,312	311,068	–	–	957,380	925,073
	1,266,104	311,068	–	–	1,577,172	1,544,865

Interest Rate Risk

Our Group's interest rate risk arises primarily from deposits with banks and loans and borrowings bearing interest issued at variable rates and at fixed rates expose our Group to cash flow interest rate risk and fair value interest rate risk respectively. Our Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments. Our Group's interest rate profile monitored by management is set out below.

Interest Rate Profile

The following table details the interest rate profile of our Group's net borrowing (as defined above) at the end of each year during the Track Record Period.

	As of December 31, 2015		As of December 31, 2016		As of December 31, 2017		As of June 30, 2018	
	Effective interest rates %	RMB'000	Effective interest rates %	RMB'000	Effective interest rates %	RMB'000	Effective interest rates %	RMB'000
Fixed rate borrowings:								
Interest bearing loans and borrowings	5.35%~7.20%	488,001	4.35%~6.70%	276,000	4.35%~6.70%	353,810	4.35%~4.57%	180,000
Variable rate borrowings								
Interest bearing loans and borrowings	0.87%~5.94%	1,013,545	0.90%~4.90%	897,857	1.20%~4.90%	522,473	1.20%~4.99%	729,929
Total net borrowings		1,501,546		1,173,857		876,283		909,929
Fixed rate borrowings as a percentage of total net borrowings		32.5%		23.5%		40.4%		19.8%

Sensitivity Analysis

At December 31, 2015, 2016 and 2017 and June 30, 2018, it is estimated that an increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased our Group's profit after tax and retained profits by approximately RMB7.6 million, RMB6.8 million, RMB3.9 million and RMB5.5 million, respectively.

The sensitivity analysis above indicates the instantaneous change in our Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the each of the reporting periods and had been applied to re-measure those financial instruments held by our Group which expose our Group to fair value interest rate risk at the end of each of the reporting periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by our Group at the end of each of the reporting periods, the impact on our Group's profit after tax (and retained profits) is estimated as an annualized impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Track Record Period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDENDS AND DIVIDEND POLICY

For the years ended December 31, 2015 and 2016, we declared dividends of RMB64.4 million and RMB64.4 million, respectively, which were fully paid. As of the Latest Practicable Date, we have declared and paid an aggregate of RMB64.4 million for the year ended December 31, 2017.

We may declare and pay dividends by way of cash or stock or a combination of both. Distribution of dividends will be formulated by our Board at its discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC laws and regulations and other factors that our Directors may consider relevant. In any event, we will pay dividends out of our profit after tax only after we made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the PRC statutory reserve an amount equivalent to 10% of our profit after tax, as determined under PRC GAAP; and
- allocation, if any, to a discretionary common reserve fund an amount approved by the shareholders in a shareholders' meeting.

The minimum allocation to the PRC statutory reserve is 10% of our profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this PRC statutory reserve will be required. Any distributable profits that are not satisfied in any given year will be retained and become available for distribution in subsequent years.

Subject to the above factors and our Articles of Association, we expect that the profit to be distributed in cash each year will be no less than 50% of the distributable profit (being the lower of the amounts determined in accordance with PRC GAAP or IFRS) in our consolidated financial statements for that year. After Listing of our H Shares on the Stock Exchange, our distributable net profit after tax will be the lower of the net profit determined in accordance with PRC GAAP or IFRS.

Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy. In addition, the declaration and payment of dividends may also be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2018, we had distributable reserves of approximately RMB310.9 million, which were available for distribution to our equity shareholders.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering) for the Global Offering were approximately RMB57.3 million. During the Track Record Period, we incurred approximately RMB19.0 million of listing expenses for the Global Offering, of which RMB14.2 million was charged to the consolidated statements of profits or loss for the years ended December 31, 2015, 2016 and 2017, the six months ended June 30, 2018, as administrative expenses. We expect to further incur listing expenses of RMB38.4 million in connection with the Global Offering, of which an estimated amount of RMB0.5 million is expected to be recognized as administrative expenses and the remaining amount of RMB37.9 million is expected to be recognized directly as a deduction from equity upon Listing. Our Directors are of the view that such expenses will not have a material and adverse impact on our results of operations for the year ending December 31, 2018.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2018, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since June 30, 2018 which would materially affect the information as set out in the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the consolidated net tangible assets of our Group attributable to equity shareholders of our Company as of June 30, 2018 and is based on the audited consolidated net assets derived from the consolidated financial information of our Group as of June 30, 2018 as included in the Accountants' Report as set out in Appendix I to the prospectus.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at June 30, 2018 or at any future date.

	Consolidated net tangible assets attributable to the equity shareholders of our Company as of June 30, 2018[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company[(3)]	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB[(4)]	(HK$ equivalent)[(5)]
Based on an Offer Price of HK$1.76 per H Share	2,137,726	378,695	2,516,421	2.34	2.64
Based on an Offer Price of HK$2.34 per H Share	2,137,726	513,274	2,651,000	2.47	2.78

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of our Company as of June 30, 2018 have been calculated based on the audited consolidated total equity attributable to equity shareholders of our Company of RMB2,142,448,000 as of June 30, 2018 after an adjustment for intangible assets of RMB4,722,000 and extracted from the financial information section of the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 268,800,000 H Shares to be issued at the estimated offer prices of HK$1.76 and HK$2.34 per H Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting fees and other estimated related expenses payable by us and take no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of our Company to reflect our any trading results or other transactions entered into subsequent to June 30, 2018.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,074,357,700 Shares in issue immediately following the completion of the Global Offering assuming that the Global Offering has been completed on June 30, 2018 but taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(5) For illustrative purpose, the estimated net proceeds from the Global Offering are converted from the Hong Kong dollar into Renminbi at the exchange rate of HK$1.00 to RMB0.8876, the exchange rate set by PBOC prevailing on December 3, 2018. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.

FUTURE PLANS

For details of our future plans, please see the section headed "Business — Our Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$502.4 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial Offer Price of HK$2.05 per H Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 40.0%, or HK$201.0 million, will be used to acquire equity interest in certain power-related assets; including, but not limited to, those held by Hydropower Group, one of our Controlling Shareholders, pursuant to a right of first refusal and a right to acquire granted by Hydropower Group to us and certain hydropower plants and other power companies outside our power supply service area. We have implemented the following investment guidelines when seeking acquisition targets: (i) the acquisition shall comply with the applicable PRC laws and regulations; (ii) the scale of our investment is commensurate with our operating scale, the level of our assets and liabilities and our ability to raise capital to finance such acquisition, so that we are able to manage our investment risk exposure; and (iii) we generally require a minimum rate of investment return of not less than 8.0% in accordance with our existing internal policies on financial evaluation standards of potential investment projects.

  With respect to potential acquisition targets that are hydropower plants, they shall have (i) solid operational, management and financial track records; (ii) long history of reliable hydrological conditions; (iii) advanced and reliable electricity production facilities and equipment; (iv) adequate and stable electricity consumption methods and capacity; and (v) connected grids that meet the relevant technical conditions, which we believe will allow such business combination to optimize the power supply structure and reduce overall operating costs. For potential acquisition targets that are power companies, they shall (i) have solid operational, management and financial track records; (ii) possess sustainable development and growth potential; (iii) have stable and legal power supply service areas; and (iv) have the potential to further expand their market share. We aim to give priority to acquisition targets that are located in geographical proximity to our Group's power supply service area, which we believe will result in quick integration and timely generate intended synergetic effect. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement for acquisition, and had yet to identify any suitable acquisition or investment targets;

- Approximately 30.0%, or HK$150.7 million, will be used to (i) construct a higher voltage power grid in order to enhance our power supply capability, operating efficiency and service level; and (ii) optimize and strengthen our existing power grid structure, upgrade our power grid facilities (including transformer substations and transmission and distribution lines), and effectively enhance maintenance quality to improve the stability, reliability and quality of our power grid facilities;

- Approximately 20.0%, or HK$100.5 million, will be used to (i) establish a centralized power dispatch control center to improve the operating efficiency of our power supply network and to ensure its safe, reliable and efficient operations. We have begun the construction of such control center and is expected to incur further capital expenditures for related equipment purchase going forward; and (ii) promote the automation and informatization of our power grid system, and build an efficient, clean, safe and reliable intelligent power grid system to enhance our management efficiency; and

- Approximately 10.0%, or HK$50.2 million, will be used for working capital and general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed offer price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK$75.8 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK$582.8 million, assuming an Offer Price of HK$2.05 per H Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds from the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK$87.2 million, respectively. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong or the PRC. We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

In the event that any of our projects do not proceed as planned, including due to circumstances such as changes in economic conditions or government policies that would render any of our future plans not commercially viable, or force majeure, our Directors will carefully evaluate the situation and may reallocate the net proceeds from the Global Offering. In such case, we will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with four cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), who have agreed to subscribe, or cause their designated entities to subscribe, for our Offer Shares (rounded down to the nearest whole board lot of 2,000 H Shares) (the "**Cornerstone Placing**") at the Offer Price.

Assuming the Offer Price of HK$1.76, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed by the Cornerstone Investors would be 105,840,000 H Shares, representing approximately 39.38% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 9.85% of our total issued share capital immediately upon the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming the Offer Price of HK$2.05 being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed by the Cornerstone Investors would be 91,152,000 H Shares, representing approximately 33.91% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 8.48% of our total issued share capital immediately upon the Global Offering (assuming the Over-allotment Option is not exercised).

Assuming the Offer Price of HK$2.34, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of H Shares to be subscribed by the Cornerstone Investors would be 80,104,000 H Shares, representing approximately 29.80% of the Offer Shares (assuming the Over-allotment Option is not exercised) and approximately 7.46% of our total issued share capital immediately upon the Global Offering (assuming the Over-allotment Option is not exercised).

The Cornerstone Placing will form part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than as pursuant to the cornerstone investment agreements). Upon the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company and they will not become our substantial shareholders (as defined under the Listing Rules). None of the Cornerstone Investors has any preferential rights compared with other public shareholders pursuant to the cornerstone investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering – The Hong Kong Public Offering".

To the best knowledge of our Company, each of the Cornerstone Investors is an independent third party, independent of our connected persons and their respective associates.

Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be published on or around 27 December 2018.

CORNERSTONE INVESTORS

We set out below a brief description of each of our Cornerstone Investors:

SCIG International Limited (川投國際有限公司)

We, BOCOM International (Asia) Limited and BOCOM International Securities Limited have entered into a cornerstone investment agreement with SCIG International Limited (川投國際有限公司) ("**SCIG International**"), pursuant to which SCIG International agreed to subscribe for, such number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of HK$82 million (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price. Assuming that the Over-allotment Option is not exercised, at the Offer Price of HK$1.76, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that SCIG International would subscribe for would be 46,590,000, representing approximately 17.33% of the total number of the Offer Shares and 4.34% of the total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK$2.05, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that SCIG International would subscribe for would be 40,000,000, representing approximately 14.88% of the total number of the Offer Shares and 3.72% of the total shares in issue immediately following completion of the Global Offering; and at the Offer Price of HK$2.34, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that SCIG International would subscribe for would be 35,042,000, representing approximately 13.04% of the total number of the Offer Shares and 3.26% of the total shares in issue immediately following completion of the Global Offering. The number of H Shares to be subscribed by SCIG International should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

SCIG International is a limited company incorporated in Hong Kong. It is beneficially owned by Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司) and primarily serves as an overseas investment platform for Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司), and is mainly engaged in investment, financing and international trading. Sichuan Provincial Investment Group Company Limited* (四川省投資集團有限責任公司) is principally engaged in projects investment, corporate management services and is in turn wholly owned by Sichuan SASAC.

Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司)

We, BOCOM International (Asia) Limited and BOCOM International Securities Limited have entered into a cornerstone investment agreement with Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司) ("**Beijing Forever**"), pursuant to which

Beijing Forever agreed to subscribe for, such number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of HK$98 million (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price. Assuming the Over-allotment Option is not exercised, at the Offer Price of HK$1.76, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Beijing Forever would subscribe for would be 55,680,000, representing approximately 20.71% of the total number of the Offer Shares and 5.18% of the total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK$2.05, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Beijing Forever would subscribe for would be 47,804,000, representing approximately 17.78% of the total number of the Offer Shares and 4.45% of the total shares in issue immediately following completion of the Global Offering; and at the Offer Price of HK$2.34, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Beijing Forever would subscribe for would be 41,880,000, representing approximately 15.58% of the total number of the Offer Shares and 3.90% of the total shares in issue immediately following completion of the Global Offering. The number of H Shares to be subscribed by Beijing Forever should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

Beijing Forever is a limited liability company established in the PRC, shares of which are listed on the Shenzhen Stock Exchange (stock code: 300365). It is principally engaged in provision of informatisation services for intelligent power grid and technology development.

Ninggelang Electric Co., Ltd.* (寧格朗電氣股份有限公司)

We, BOCOM International (Asia) Limited and BOCOM International Securities Limited have entered into a cornerstone investment agreement with Ninggelang Electric Co., Ltd.* (寧格朗電氣股份有限公司) ("**Ninggelang Electric**"), pursuant to which Ninggelang Electric agreed to subscribe for, such number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of RMB2,480,000 (approximately HK$2,794,051.37) (inclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee) at the Offer Price. Assuming that the Over-allotment Option is not exercised, at the Offer Price of HK$1.76, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Ninggelang Electric would subscribe for would be 1,570,000, representing approximately 0.58% of the total number of the Offer Shares and 0.15% of the total shares in issue immediately following completion of the Global Offering; at the Offer Price of HK$2.05, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Ninggelang Electric would subscribe for would be 1,348,000, representing approximately 0.50% of the total number of the Offer Shares and 0.13% of the total shares in issue immediately following completion of the Global Offering; and at the Offer Price of HK$2.34, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Ninggelang Electric would subscribe for would be 1,182,000, representing approximately 0.44% of the total number of the Offer Shares and 0.11% of the total shares in issue immediately following completion of the Global Offering. The number of H Shares to be subscribed by Ninggelang Electric should not exceed 10% of the total shares in issue immediately following the completion of the Global Offering.

Ninggelang Electric is a limited liability company established in the PRC, shares of which are listed on the National Equities Exchange and Quotations (stock code: 833702). It is principally engaged in the business of research and development, manufacturing, installation and sales of high and low voltage power distribution equipment.

Sichuan Huadong Electric Group Co., Ltd.* (四川華東電氣集團有限公司)

We, BOCOM International (Asia) Limited and BOCOM International Securities Limited have entered into a cornerstone investment agreement with Sichuan Huadong Electric Group Co., Ltd.* (四川華東電氣集團有限公司) ("**Sichuan Huadong**"), pursuant to which Sichuan Huadong agreed to subscribe for, an aggregate of 2,000,000 Offer Shares at the Offer Price, representing approximately 0.74% of the total number of the Offer Shares and 0.19% of the total shares in issue immediately following completion of the Global Offering. Assuming that the Over-allotment Option is not exercised, at the Offer Price of HK$1.76, HK$2.05 and HK$2.34 (being the low-end, mid-point and high-end of the indicative Offer Price range stated in this prospectus), the subscription price payable by Sichuan Huadong will be approximately HK$3.52 million, HK$4.10 million and HK$4.68 million (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee), respectively.

Sichuan Huadong is a limited liability company established in the PRC, and it is principally engaged in the provision of project contracting services for electrical power engineering, mechanical and electrical equipment installation, power transmission and distribution projects, electronic engineering, and relevant technical consultation services.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into by, inter alia, our Company and the Sole Global Coordinator and having become unconditional and not having been terminated by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties;

(2) the Sole Global Coordinator (on behalf of itself and all underwriters under the Global Offering) and our Company having agreed on the Offer Price;

(3) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the H Shares and that such approval or permission having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(4) the respective representations, warranties, undertakings and acknowledgements of the relevant Cornerstone Investor under the cornerstone investment agreement are and will be accurate and true in all material respects and not misleading in any material respect, and that there being no material breach of the relevant cornerstone investment agreement on the part of the Cornerstone Investor; and

(5) no laws shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or herein and no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting the consummation of such transactions.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed and has undertaken to our Company, the Sole Sponsor and the Sole Global Coordinator that, without the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, dispose of any shares purchased by it and any shares or other securities of our Company which are derived from such shares pursuant to any rights issue, capitalisation issue or other form of capital reorganisation (whether such transactions are to be settled in cash or otherwise) and any interest from such shares or securities, or agree or contract to, or publicly announce any intention to enter into a transaction with a third party for disposal of such shares, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary gives a written undertaking agreeing to, and such Cornerstone Investor gives a written underwriting agreeing to procure that such wholly-owned subsidiary shall be bound by such Cornerstone Investor's obligations under the cornerstone investment agreement.

HONG KONG UNDERWRITERS

Hong Kong Underwriters

BOCOM International Securities Limited
First Capital Securities Limited
Haitong International Securities Company Limited
CCB International Capital Limited
ABCI Securities Company Limited
Guotai Junan Securities (Hong Kong) Limited
Sinomax Securities Limited
Livermore Holdings Limited
Kaiser Securities Limited

HONG KONG UNDERWRITING ARRANGEMENTS

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 26,880,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscriptions for the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Sole Sponsor shall be entitled, after prior consultation with our Company, by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 08:00 on the Listing Date:

(a) there has come to the notice of the Sole Global Coordinator or the Sole Sponsor:

(i) that any statement contained in any of the Hong Kong Public Offering documents and/or in, any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering documents, and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and not based on reasonable assumptions;

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto);

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters);

(iv) that a petition is presented for the winding-up or liquidation of our Company or any other member of our Group or our Company or any other member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any other member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any other member of our Group or anything analogous thereto occurs in respect of our Company or any other member of our Group, which in the sole opinion of the Sole Global Coordinator and the Sole Sponsor, may or is likely to be material in the context of the Global Offering;

(v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement;

(vi) any material adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company or any other member of our Group;

(vii) any breach of, or any event rendering untrue or incorrect or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement;

(viii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, our H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted (not including granting of such approval subject to customary conditions), other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;

(ix) our Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

(x) or that any person (other than the Sole Sponsor) has withdrawn or is likely to withdraw its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering documents; or

(b) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union, Japan, Singapore or any other jurisdiction relevant to our Company or the Global Offering (collectively, the "**Relevant Jurisdictions**");

(ii) any change, or any development involving a prospective change (whether or not permanent), or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union or any member thereof, Japan or any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions;

(iv) any new Law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions;

(v) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions (other than the PRC) on or from (as applicable) the PRC;

(vi) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

(viii) any litigation or claim of any third party being threatened or instigated against any member of our Group;

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;

(x) the chairman, chief executive officer or chief financial officer of our Company vacating his or her office;

(xi) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director;

(xii) a contravention by any member of our Group of the Listing Rules or applicable laws;

(xiii) a prohibition on our Company for whatever reason from allotting our H Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering;

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer of our H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws;

(xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer of our H Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange, CSRC and/or the SFC;

(xvi) that a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any other member of our Group or in respect of which our Company or any other member of our Group is liable prior to its stated maturity, which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or

(xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group.

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator or Sole Sponsor (i) has or will or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (ii) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in our H Shares in the secondary market; or (iii) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

OTHER UNDERTAKINGS

Undertakings by Our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including the exercise of the Over-allotment Option) or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has undertaken to the Stock Exchange pursuant to Rule 10.07 of the Listing Rules, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to our Company that, except pursuant to the Global Offering (including the exercise of the Over-allotment Option), it will not and shall procure that the relevant registered holder(s) will not, without the prior written consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in our H Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Each of the Controlling Shareholders has further undertaken to the Stock Exchange pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, the Sole Sponsor, the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to our Company that within the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any securities of our Company or interests therein beneficially owned by it in favor of any authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when it receives indications, either verbal or written, from the pledgee or charges that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by Our Company

Except for the offer of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we have undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares, or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares of such other member of our Group, as applicable), or any interest in any of the foregoing), or deposit any Shares or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any securities of such other member of our Group, as applicable), or any interest in any of the foregoing; or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or such other securities will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify, among others, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters for certain losses which they may suffer, including, among other things, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriters and the Sole Global Coordinator. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions set out therein, will agree to procure subscribers or purchasers for the International Offer Shares, failing which it agrees to subscribe for or purchase the International Offer Shares which are not taken up under the International Offering.

We expect to grant the Over-allotment Option to the International Underwriters and exercisable by the Sole Global Coordinator on or before Thursday, January 17, 2019, being the 30th day from the last day for the lodging of Application Forms under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 40,320,000 Offer Shares, representing in aggregate 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering.

COMMISSION AND EXPENSES

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters. Our Company may also in its sole discretion pay the Sole Global Coordinator an additional incentive fee of up to 0.25% of the aggregate of the sale proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

The aggregate commissions and fees (including the discretionary incentive fee), together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately RMB57.3 million in total (based on the mid-point of our indicative price range of the Global Offering and assuming the Over-allotment Option is not exercised).

HONG KONG UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation.

In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY THE UNDERWRITERS

The Underwriters and their respective affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Underwriters and their respective affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Underwriters or their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities in relation with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Underwriters or their respective affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (the financing of which may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Underwriters or their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Underwriters or their respective affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period as described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Underwriters or their respective affiliates will be subject to certain restrictions, including the following:

(a) the Underwriters or their respective affiliates (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Underwriters or their respective affiliates must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO which includes the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Underwriters or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, derivative and other services to us, our affiliates or our Shareholders including cornerstone investors, for which the Underwriters or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 26,880,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed "— The Hong Kong Public Offering" in this section; and

(ii) the International Offering of 241,920,000 Offer Shares (subject to adjustment as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

The Offer Shares will represent approximately 25.02% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.73% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "— The International Offering — Over-allotment Option" in this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "— The Hong Kong Public Offering — Reallocation and Clawback".

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 26,880,000 Offer Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the total number of Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Offer Shares initially offered under the Hong Kong Public Offering will represent 2.50% of our enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Offer Shares will not be allotted International Offer Shares in the International Offering.

The Sole Global Coordinator may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Allocation

For allocation purposes only, the total number of Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools (subject to adjustment at odd lot size): Pool A comprising 13,440,000 Hong Kong Offer Shares and Pool B comprising 13,440,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and only apply for the Hong Kong Offer Shares in either Pool A or Pool B. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation and Clawback

The allocation of the Offer Shares between the International Offering and the Hong Kong Public Offering is subject to reallocation on the following basis:

(a) Where the International Offering Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate;

(ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 26,880,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 53,760,000 Offer Shares, representing 20% of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iii) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Shares available for subscription under the Hong Kong Public Offering will be increased to 80,640,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option);

(iv) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 107,520,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option); and

(v) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Shares initially available for subscription under the Hong Kong Public Offering, then Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of Shares available for subscription under the Hong Kong Public Offering will be increased to 134,400,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Global Offering (before any exercise of the Over-allotment Option).

(b) Where the International Offer Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 26,880,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 53,760,000 Offer Shares, representing approximately 20% of the number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering in the circumstances where: (x) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times as per paragraph (a)(ii) above, or (y) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as per paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.76 per Offer Share) stated in this prospectus.

In the event of a reallocation of Offer Shares from the International Offering to the Hong Kong Public Offering in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the additional Shares reallocated to the Hong Kong Public Offering from the International Offering will be allocated equally between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Offering in such proportions as the Sole Global Coordinator deems appropriate.

The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator, subject to Practice Note 18 of the Listing Rules and pursuant to the Guidance Letter HKEX-GL91-18.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Multiple or suspected multiple applications and any application for more than 50% of the total number of the Offer Shares initially comprised in the Hong Kong Public Offering (that is 13,440,000 Hong Kong Offer Shares) are liable to be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.34 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering" below, is less than the maximum price of HK$2.34 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares".

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of International Offer Shares Offered

The number of International Offer Shares to be initially offered for subscription under the International Offering will consist of 241,920,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 22.52% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Reallocation

The total number of International Offer Shares to be offered pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation and Clawback," exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require our Company to issue and allot up to an aggregate of 40,320,000 Offer Shares representing in aggregate approximately 15% of the initial number of the Offer Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any. An announcement will be made in the event that the Over-allotment Option is exercised. The Sole Global Coordinator may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, December 18, 2018 and, in any event, not later than Thursday, December 20, 2018. The Offer Price will be not more than HK$2.34 and is currently expected not to be less than HK$1.76, unless otherwise announced as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If, for any reason, the Offer Price is not agreed by Thursday, December 20, 2018 between the Sole Global Coordinator and us, the Global Offering will not proceed and will lapse.**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Tuesday, December 18, 2018, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Stock Exchange's website at **www.hkexnews.hk**, and on our Company's website at **www.scntgf.com** notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in the section headed "Summary" and any other financial information which may change as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application will be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering and/or a reduction in the indicative Offer Price range stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be outside the Offer Price range as stated in this prospectus.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Thursday, December 27, 2018 through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results."

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any persons acting for it may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of our H Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering and conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any persons acting for it, and may be discontinued at any time.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO, as amended, includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares; (iii) purchasing or agreeing to purchase our H Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our H Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares; (v) selling or agreeing to sell our H Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our H Shares;

- there is no certainty as to the extent to which, and the time or period for which, the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation and selling of any such long position in the open market by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our H Shares;

- no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period which will begin on the Listing Date and is expected to expire on Thursday, January 17, 2019, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;

- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 40,320,000 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator and us on the Price Determination Date.

We expect that our Company will, on or about Tuesday, December 18, 2018, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, December 28, 2018, it is expected that dealings in H Shares on the Stock Exchange will commence on Friday, December 28, 2018. Our H Shares will be traded in board lots of 2,000 H Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

- the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares to be issued pursuant to the Global Offering (including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option) (subject only to allotment and despatch of the share certificates in respect thereof and such other normal conditions acceptable to our Company and the Sole Global Coordinator not later than Friday, December 28, 2018 (or such later date as our Company and the Sole Global Coordinator may agree) and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;

- our Company having submitted to the HKSCC all requisite documents to enable the Offer Shares to be admitted to trade on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (unless and to the extent such conditions are validly waived on or before such dates and times by the Sole Global Coordinator and not having been terminated in accordance with the terms of the respective agreements.

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on our website at **www.scntgf.com** and the website of Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk** on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Thursday, December 27, 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our H Shares, which is expected to be on Friday, December 28, 2018, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Offer Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any H Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Thursday, December 13, 2018 until 12:00 noon on Tuesday, December 18, 2018 from:

(i) the following offices of the Hong Kong Underwriters:

BOCOM International Securities Limited	9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong

First Capital Securities Limited	Unit 4512, 45/F The Center, 99 Queen's Road Central Central, Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central, Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Sinomax Securities Limited	Room 2705-06, 27/F Tower One, Lippo Centre 89 Queensway, Hong Kong
Livermore Holdings Limited	Unit 1214A, 12/F Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon, Hong Kong
Kaiser Securities Limited	3101-05 Shun Tak Centre West Tower 168-200 Connaught Road, Hong Kong

(ii) any of the following branches of **Bank of China (Hong Kong) Limited**:

District	**Branch Name**	**Address**
Hong Kong	Bank of China Tower Branch	1 Garden Road
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei

District	Branch Name	Address
The New Territories	Shatin Branch	Shop 20, Level 1, Lucky Plaza, 1-15 Wang Pok Street, Sha Tin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, December 13, 2018 until 12:00 noon on Tuesday, December 18, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – SICHUAN ENERGY INVESTMENT PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- **Thursday, December 13, 2018 – 9:00 a.m. to 5:00 p.m.**
- **Friday, December 14, 2018 – 9:00 a.m. to 5:00 p.m.**
- **Saturday, December 15, 2018 – 9:00 a.m. to 1:00 p.m.**
- **Monday, December 17, 2018 – 9:00 a.m. to 5:00 p.m.**
- **Tuesday, December 18, 2018 – 9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, December 18, 2018, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law, the Special Regulations and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, December 13, 2018 until 11:30 a.m. on Tuesday, December 18, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, December 18, 2018 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or its respective advisors and agents;

- agree without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company Law, the Special Regulations on Overseas and the Articles of Association of the company;

- agree with the Company, for itself and for the benefit of each Shareholder and each director, supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each director, supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each Shareholder) that H Shares in the Company are freely transferable by their holders;

- authorise the Company to enter into a contract on its behalf with each director and officer of the Company whereby each such director and officer undertakes to observe and comply with his or her obligations to Shareholders stipulated in the Articles of Association of the Company; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of number of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- **Thursday, December 13, 2018 – 9:00 a.m. to 8:30 p.m.**
- **Friday, December 14, 2018 – 8:00 a.m. to 8:30 p.m.**
- **Monday, December 17, 2018 – 8:00 a.m. to 8:30 p.m.**
- **Tuesday, December 18, 2018 – 8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, December 13, 2018 until 12:00 noon on Tuesday, December 18, 2018 (24 hours daily, except on December 18, 2018, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, December 18, 2018, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Sole Global Coordinator, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, December 18, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details of the Offer Price, please see the section headed "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 18, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, December 18, 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, December 27, 2018 on our Company's website at **http://www.scntgf.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **http://www.scntgf.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, December 27, 2018;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, December 27, 2018 to 12:00 midnight on Wednesday, January 2, 2019;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, December 27, 2018 to Wednesday, January 2, 2019 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, December 27, 2018 to Monday, December 31, 2018 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For further details of the conditions of the Global Offering, please see the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.34 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, December 27, 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Public Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, December 27, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, December 28, 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our H Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 27, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, December 27, 2018, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, December 27, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, December 27, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 27, 2018 or any other date as determined by HKSCC or HKSCC Nominees.

Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from H Share Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 27, 2018, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) where applicable) will be sent to the address specified in your application instructions on Thursday, December 27, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, December 27, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, December 27, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 27, 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 27, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 27, 2018.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-83, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SICHUAN ENERGY INVESTMENT DEVELOPMENT CO., LTD. AND BOCOM INTERNATIONAL (ASIA) LIMITED

Introduction

We report on the historical financial information of Sichuan Energy Investment Development Co., Ltd. (四川能投發展股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-11, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2015, 2016 and 2017 and 30 June 2018 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows, for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-12 to I-83 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 December 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2015, 2016 and 2017 and 30 June 2018 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2017 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 27(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

13 December 2018

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

Consolidated statements of profit or loss

		Year ended 31 December			Six months ended 30 June	
	Note	**2015**	**2016**	**2017**	**2017**	**2018**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Revenue	*5*	1,614,602	1,691,675	1,853,243	836,320	970,556
Cost of sales	*7(c)*	(1,283,501)	(1,363,507)	(1,530,929)	(699,585)	(780,832)
Gross profit		331,101	328,168	322,314	136,735	189,724
Other income	*6(a)*	34,722	32,593	52,530	30,045	14,972
Administrative expenses		(151,087)	(161,773)	(179,586)	(74,430)	(81,363)
Impairment of loss on trade and other receivables, including contract assets	*28(a)*	(25,260)	(15,662)	(1,222)	(1,541)	2,227
Other expenses	*6(b)*	(12,891)	(5,880)	(19,794)	(832)	(1,407)
Profit from operations		176,585	177,446	174,242	89,977	124,153
Finance costs	*7(a)*	(70,975)	(50,885)	(41,360)	(19,748)	(16,573)
Share of profits less losses of associates	*16*	13,026	9,523	10,672	4,591	2,415
Profit before taxation		118,636	136,084	143,554	74,820	109,995
Income tax	*8(a)*	(13,739)	(18,260)	(18,664)	(9,398)	(14,739)
Profit for the year/period		104,897	117,824	124,890	65,422	95,256
Attributable to:						
Equity shareholders of the Company		98,148	116,605	125,311	65,516	95,386
Non-controlling interests		6,749	1,219	(421)	(94)	(130)
Profit for the year/period		104,897	117,824	124,890	65,422	95,256
Earnings per share						
Basic and diluted (RMB)	*11*	0.13	0.15	0.16	0.08	0.12

The notes on page I-12 to I-83 form part of the Historical Financial Information

Consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Profit for the year/period	104,897	117,824	124,890	65,422	95,256
Other comprehensive income for the year/period	–	–	–	–	–
Total comprehensive income for the year/period	104,897	117,824	124,890	65,422	95,256
Attributable to:					
Equity shareholders of the Company	98,148	116,605	125,311	65,516	95,386
Non-controlling interests	6,749	1,219	(421)	(94)	(130)
Total comprehensive income for the year/period	104,897	117,824	124,890	65,422	95,256

The notes on page I-12 to I-83 form part of the Historical Financial Information.

Consolidated statements of financial position

	Note	As at 31 December 2015	2016	2017	As at 30 June 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	*12*	2,781,354	2,710,017	2,662,964	2,626,914
Interests in leasehold land held for own use under operating leases	*13*	119,608	121,354	134,050	133,895
Intangible assets	*14*	4,592	5,212	5,281	4,722
Investment in associates	*16*	187,133	184,651	216,487	256,746
Other financial assets	*17*	170	170	111,373	111,089
Deferred tax assets	*26(b)*	27,295	28,908	30,439	31,032
		3,120,152	3,050,312	3,160,594	3,164,398
Current assets					
Inventories	*18*	25,516	33,451	32,132	45,500
Contract assets	*19*	3,281	4,127	4,656	13,346
Trade and other receivables	*20*	533,120	405,953	325,807	346,506
Other financial assets	*17*	210,385	265,278	–	–
Prepaid tax	*26(a)*	3,464	5,261	7,768	4,968
Restricted deposits	*21*	38,631	38,749	–	2,000
Cash and cash equivalents	*22*	514,203	237,031	395,811	455,483
		1,328,600	989,850	766,174	867,803
Current liabilities					
Trade and other payables	*23*	452,522	486,936	591,541	619,792
Contract liabilities	*19*	62,401	107,361	133,654	148,487
Loans and borrowings	*24*	1,470,795	933,226	764,205	625,073
Deferred income	*25*	6,716	6,754	6,983	6,997
Current tax liabilities	*26(a)*	14,205	9,497	8,053	11,387
		2,006,639	1,543,774	1,504,436	1,411,736
Net current liabilities		(678,039)	(553,924)	(738,262)	(543,933)
Total assets less current liabilities		2,442,113	2,496,388	2,422,332	2,620,465
Non-current liabilities					
Loans and borrowings	*24*	48,673	257,553	129,000	300,000
Deferred income	*25*	174,293	166,094	159,824	156,261
Deferred tax liabilities	*26(b)*	20,769	19,106	16,708	16,593
		243,735	442,753	305,532	472,854
NET ASSETS		2,198,378	2,053,635	2,116,800	2,147,611
CAPITAL AND RESERVES	*27*				
Share capital		805,558	805,558	805,558	805,558
Reserves		1,264,701	1,245,083	1,305,949	1,336,890
Total equity attributable to equity shareholders of the Company		2,070,259	2,050,641	2,111,507	2,142,448
Non-controlling interests		128,119	2,994	5,293	5,163
TOTAL EQUITY		2,198,378	2,053,635	2,116,800	2,147,611

The notes on page I-12 to I-83 form part of the Historical Financial Information.

Statements of financial position of the Company

		As at 31 December			As at 30 June
	Note	2015	2016	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	*12*	42,990	40,998	39,146	38,322
Intangible assets		277	197	243	193
Investment in subsidiaries	*15*	815,825	1,013,636	1,029,916	1,041,916
Investment in associates	*16*	157,822	155,636	187,598	180,777
Other financial assets	*17*	–	–	111,203	110,919
		1,016,914	1,210,467	1,368,106	1,372,127
Current assets					
Inventories		74	57	31	45
Trade and other receivables	*20*	1,033,961	922,509	850,194	821,292
Other financial assets	*17*	210,385	265,278	–	–
Restricted deposits	*21*	38,631	38,749	–	–
Cash and cash equivalents	*22*	321,312	73,330	266,165	304,573
		1,604,363	1,299,923	1,116,390	1,125,910
Current liabilities					
Trade and other payables	*23*	68,982	233,659	386,648	425,799
Loans and borrowings	*24*	1,440,269	908,234	743,473	609,929
		1,509,251	1,141,893	1,130,121	1,035,728
Net current assets/(liabilities)		95,112	158,030	(13,731)	90,182
Total assets less current liabilities		1,112,026	1,368,497	1,354,375	1,462,309
Non-current liabilities					
Loans and borrowings	*24*	–	222,000	129,000	300,000
Deferred tax liabilities		96	319	–	–
		96	222,319	129,000	300,000
NET ASSETS		1,111,930	1,146,178	1,225,375	1,162,309
CAPITAL AND RESERVES	*27*				
Share capital		805,558	805,558	805,558	805,558
Reserves		306,372	340,620	419,817	356,751
TOTAL EQUITY		1,111,930	1,146,178	1,225,375	1,162,309

The notes on page I-12 to I-83 form part of the Historical Financial Information.

Consolidated statements of changes in equity

	Note	Attribute to equity shareholders of the Company								
		Share capital	Capital reserve	State capital reserve benefits	PRC statutory reserve	Special reserve	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015		805,558	167,095	878,019	12,109	4,443	153,220	2,020,444	131,431	2,151,875
Changes in equity for 2015:										
Profit for the year		–	–	–	–	–	98,148	98,148	6,749	104,897
Total comprehensive income for the year		–	–	–	–	–	98,148	98,148	6,749	104,897
Transfer to statutory reserve	*27(d)(iii)*	–	–	–	8,960	–	(8,960)	–	–	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	–	–	(48,333)	(48,333)	(10,061)	(58,394)
Safety production fund	*27(d)(iv)*	–	–	–	–	(747)	747	–	–	–
Balance at 31 December 2015 and 1 January 2016		805,558	167,095	878,019	21,069	3,696	194,822	2,070,259	128,119	2,198,378
Changes in equity for 2016:										
Profit for the year		–	–	–	–	–	116,605	116,605	1,219	117,824
Total comprehensive income for the year		–	–	–	–	–	116,605	116,605	1,219	117,824
Acquisition of non-controlling interests of a subsidiary	*30(f)(i)*	–	(71,778)	–	–	–	–	(71,778)	(122,032)	(193,810)
Investment from non-controlling interests of a subsidiary		–	–	–	–	–	–	–	3,000	3,000
Transfer to statutory reserve	*27(d)(iii)*	–	–	–	9,592	–	(9,592)	–	–	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	–	–	(64,445)	(64,445)	(7,312)	(71,757)
Safety production fund	*27(d)(iv)*	–	–	–	–	(518)	518	–	–	–
Balance at 31 December 2016		805,558	95,317	878,019	30,661	3,178	237,908	2,050,641	2,994	2,053,635

The notes on page I-12 to I-83 form part of the Historical Financial Information.

	Note	Share capital	Capital reserve	State capital reserve benefits	PRC statutory reserve	Special reserve	Retained profits	Total	Non-controlling interests	Total equity
		Attribute to equity shareholders of the Company								
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		805,558	95,317	878,019	30,661	3,178	237,908	2,050,641	2,994	2,053,635
Changes in equity for 2017:										
Profit for the year		–	–	–	–	–	125,311	125,311	(421)	124,890
Total comprehensive income for the year		–	–	–	–	–	125,311	125,311	(421)	124,890
Investment from non-controlling interests of a subsidiary		–	–	–	–	–	–	–	2,720	2,720
Transfer to statutory reserve	*27(d)(iii)*	–	–	–	11,681	–	(11,681)	–	–	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	–	–	(64,445)	(64,445)	–	(64,445)
Safety production fund	*27(d)(iv)*	–	–	–	–	664	(664)	–	–	–
Balance at 31 December 2017 and 1 January 2018		805,558	95,317	878,019	42,342	3,842	286,429	2,111,507	5,293	2,116,800
Changes in equity for six months ended 30 June 2018:										
Profit for the period		–	–	–	–	–	95,386	95,386	(130)	95,256
Total comprehensive income for the period		–	–	–	–	–	95,386	95,386	(130)	95,256
Transfer to statutory reserve	*27(d)(iii)*	–	–	–	2,955	–	(2,955)	–	–	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	–	–	(64,445)	(64,445)	–	(64,445)
Safety production fund	*27(d)(iv)*	–	–	–	–	3,534	(3,534)	–	–	–
Balance at 30 June 2018		805,558	95,317	878,019	45,297	7,376	310,881	2,142,448	5,163	2,147,611

The notes on page I-12 to I-83 form part of the Historical Financial Information.

(Unaudited)	Note	Share capital	Capital reserve	State capital reserve benefits	PRC statutory reserve	Special reserve	Retained profits	Total	Non-controlling interests	Total equity
		Attribute to equity shareholders of the Company								
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		805,558	95,317	878,019	30,661	3,178	237,908	2,050,641	2,994	2,053,635
Changes in equity for six months ended 30 June 2017:										
Profit for the period		–	–	–	–	–	65,516	65,516	(94)	65,422
Total comprehensive income for the period		–	–	–	–	–	65,516	65,516	(94)	65,422
Investment from non-controlling interests of a subsidiary		–	–	–	–	–	–	–	2,720	2,720
Dividends approved in respect of the previous year	*27(b)*	–	–	–	–	–	(64,445)	(64,445)	–	(64,445)
Safety production fund	*27(d)(iv)*	–	–	–	–	2,915	(2,915)	–	–	–
Balance at 30 June 2017		805,558	95,317	878,019	30,661	6,093	236,064	2,051,712	5,620	2,057,332

The notes on page I-12 to I-83 form part of the Historical Financial Information.

Consolidated statements of cash flows

	Note	Year ended 31 December 2015	2016	2017	Six months ended 30 June 2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES						
Cash generated from operations	*22(b)*	267,852	458,454	411,282	81,923	75,188
PRC corporate income tax paid	*26(a)*	(20,885)	(28,041)	(26,544)	(9,816)	(9,313)
Net cash flows generated from operating activities		246,967	430,413	384,738	72,107	65,875
INVESTING ACTIVITIES						
Payments for purchase of property, plant and equipment and construction in progress		(108,040)	(112,011)	(97,743)	(16,805)	(37,047)
Proceeds from sale of property, plant and equipment		–	1,405	13	5	1
Payment for investment in other financial assets		(510,000)	(735,000)	(2,478,000)	(888,000)	(854,000)
Redemption of other financial assets		301,907	684,792	2,648,860	1,040,932	855,577
Payments for investment in associates		(5,440)	–	–	–	–
Loans repaid by the related parties	*30(c)*	130,000	–	–	–	1,000
Loans to third parties		(15,060)	(940)	–	–	–
Loans repaid by third parties		10,469	15,453	400	400	–
Advances to the related parties		(43,071)	–	–	(174)	–
Repayment of advance to the related parties		2,880	90,013	21,268	–	2,503
Interests received		17,506	4,396	1,464	465	533
Investment income received		–	–	3,011	464	7,527
Dividends received from associates		8,556	12,005	8,836	–	3,128
Net cash flows (used in)/generated from investing activities		(210,293)	(39,887)	108,109	137,287	(20,778)
FINANCING ACTIVITIES						
Investment from non-controlling interests of a subsidiary		–	3,000	2,720	2,720	–
Proceeds from new bank loans		490,000	800,000	580,000	210,000	350,000
Repayment of bank loans		(472,800)	(702,000)	(808,000)	(255,000)	(313,000)
Repayment of corporate bond		(200,000)	(200,000)	–	–	–
Repayment of loans from the Parent	*30(c)*	(9,981)	(5,654)	(2,148)	(2,148)	–
Repayment of loans from third parties		(1,000)	(1,000)	(2,190)	–	(5,588)
Payment for acquisition of non-controlling interests		–	(193,810)	–	–	–
Dividend paid to equity holders of the Company		(40,264)	(76,210)	(32,893)	–	–
Dividend paid to non-controlling interests		(9,800)	(7,573)	–	–	–
Interest paid		(78,582)	(64,416)	(41,795)	(20,927)	(17,293)
Net cash flows (used in)/ generated from financing activities		(322,427)	(447,663)	(304,306)	(65,355)	14,119
Net (decrease)/increase in cash and cash equivalents		(285,753)	(57,137)	188,541	144,039	59,216
Cash and cash equivalents at 1 January		249,687	(36,066)	(93,203)	(93,203)	95,338
Cash and cash equivalents at 31 December/30 June	22(a)	(36,066)	(93,203)	95,338	50,836	154,554

The notes on page I-12 to I-83 form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1 Basis of preparation and presentation of Historical Financial Information

Sichuan Energy Investment Development Co., Ltd. (四川能投發展股份有限公司) (the "Company") was incorporated in the People's Republic of China (the "PRC") on 29 September 2011 as a limited liability company under the Companies Law of the PRC.

The Company and its subsidiaries (the "Group") principally engaged in generating and supplying of power and provision of power supply related equipment/projects engineering construction service.

The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of company *(i)*	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities	Name of statutory auditors *(ii) (iii)*		
		(RMB'000)	Group's effective interest	Held by the Company	Held by a subsidiary		2015	2016	2017
Sichuan Energy Investment Yibin Electricity Co., Ltd. ("Yibin Electricity") (四川能投宜賓電力有限公司)	The PRC	60,000	100.0%	100.0%	–	Power supply	(a)	(b)	(c)
Sichuan Energy Investment Gong County Electricity Co., Ltd. ("Gong County Electricity") (四川能投珙縣電力有限公司)	The PRC	11,960	100.0%	100.0%	–	Power supply	(a)	(b)	(c)
Sichuan Energy Investment Xingwen Electricity Co., Ltd. ("Xingwen Electricity") (四川能投興文電力有限公司)	The PRC	32,020	100.0%	100.0%	–	Power supply	(a)	(b)	(c)
Sichuan Energy Investment Gao County Electricity Co., Ltd. ("Gao County Electricity") (四川能投高縣電力有限公司)	The PRC	78,100	100.0%	100.0%	–	Power supply	(a)	(b)	(c)
Sichuan Energy Investment Junlian Electricity Co., Ltd. ("Junlian Electricity") (四川能投筠連電力有限公司)	The PRC	40,000	100.0%	100.0%	–	Power supply	(a)	(b)	(c)
Sichuan Energy Power Investment Pingshan Electricity Co., Ltd. ("Pingshan Electricity") (四川能投屏山電力有限公司)	The PRC	111,111	100.0%	100.0%	–	Power supply	(a)	(b)	(c)
Shuifu Yangliutan Power Generation Co., Ltd. ("Yangliutan Power Generation") (水富楊柳灘發電有限公司) (vii)	The PRC	10,000	100.0%	100.0%	–	Power generation	(a)	(b)	(c)
Sichuan Energy Power Investment Yibin Electricity Engineering Construction Co., Ltd. ("Electricity Engineering Construction") (四川能投宜賓電力工程建設有限公司) (vi)	The PRC	20,300	100.0%	100.0%	–	Construction	(a)	(b)	(c)
Sichuan Province Yibin County Changyuan Infrastructure Co., Ltd. ("Yibin Changyuan") (四川省宜賓縣長源實業有限公司)	The PRC	500	100.0%	–	100.0%	Installation and maintenance	(a)	(b)	(c)

Name of company *(i)*	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest			Principal activities	Name of statutory auditors *(ii) (iii)*		
			Group's effective interest	Held by the Company	Held by a subsidiary		2015	2016	2017
		(RMB'000)							
Gong County Mingzhu Electricity Co., Ltd. ("Gong County Mingzhu") (珙縣明珠電力有限公司) *(iv)*	The PRC	1,400	100.0%	–	100.0%	Power supply	(a)	N/A	N/A
Pingshan County Longhua Electricity Co., Ltd. ("Longhua Electricity") (屏山縣龍華電力有限責任公司) *(v)*	The PRC	3,968	100.0%	–	100.0%	Power supply	N/A	N/A	N/A
Junlian Country Intelligent Electric Development Co., Ltd. ("Junlian Electric Development") (筠連縣智能電器開發有限責任公司) *(x)*	The PRC	500	100.0%	–	100.0%	Construction and maintenance	(a)	(b)	N/A
Sichuan Energy Investment Yibin City Electricity Sales Co., Ltd. ("Yibin City Electricity Sales) (四川能投宜賓市售電有限公司) *(viii)*	The PRC	22,000	74.0%	74.0%	–	Sale of power	N/A	N/A	(c)
Sichuan Energy Investment Gao Country Yuejiang Power Generation Co., Ltd. ("Yuejiang Power Generation") (四川能投高縣月江發電有限公司) *(ix)*	The PRC	3,000	100.0%	100.0%	–	Power generation	N/A	N/A	(c)

Notes:

(i) The English translation of the company names is for reference only. The official names of these companies are in Chinese. These companies were registered state-owned enterprise under the law of the PRC.

(ii) Name of the statutory auditors are : (a) Pan-China Certified Public Accountants LLP Sichuan Branch (天健會計師事務所(特殊普通合伙)四川分所); (b) WUYIGE Certified Public Accountants LLP Sichuan Branch (大信會計師事務所(特殊普通合伙)四川分所); (c) SICHUAN HUAXIN (GROUP) CPA (LLP) (四川華信(集團)會計師事務所(特殊普通合伙)).

(iii) The statutory financial statements of these companies for the years ended 31 December 2015, 2016 and 2017 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

(iv) On 6 August 2014, the Group repurchased the non-controlling interests of Gong County Mingzhu. No statutory financial statements have been prepared for Gong County Mingzhu since the year ended 31 December 2016 as it was dissolved on 8 December 2016.

(v) No statutory financial statements have been prepared for Longhua Electricity for the years ended 31 December 2015, 2016 and 2017 as it was dissolved on 15 January 2016.

(vi) On 21 May 2015, the Company purchased 100% interests of Electricity Engineering Construction from Yibin Electricity (see note 15(c)).

(vii) On 20 April 2016, the Company acquired the non-controlling interests of Yangliutan Power Generation (see note 15(b)).

(viii) On 28 September 2016, the Company and Yibin City State-owned Assets Operation Co., Ltd. (宜賓市國有資產經營有限公司) set up the Yibin City Electricity Sales. The Company completed the capital injection on 15 February 2017. No statutory financial statements have been prepared for Yibin City Electricity Sales for the years ended 31 December 2015 and 2016 as it was incorporated on 28 September 2016.

(ix) On 26 April 2017, Yuejiang Electricity Power Generation was spun off from Gao County Electricity. No statutory financial statements have been prepared for Yuejiang Power Generation for the years ended 31 December 2015 and 2016 as it was incorporated on 26 April 2017.

(x) No statutory financial statements have been prepared for Junlian Electric Development for the year ended 31 December 2017 as it was dissolved on 9 June 2017.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs consistently throughout the Relevant Periods, including but not limited to IFRS 9 and IFRS 15, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2018. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended 30 June 2018 are set out in Note 32.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

The Historical Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at 31 December 2015, 2016, and 2017 and 30 June 2018. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the fifteen months ending 31 December 2019, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

The accounting polices set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement and functional and presentation currency

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that the other financial assets which are stated at their fair value as explained in the accounting policies of note 2(e).

The Historical Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries. All Historical Financial Information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated.

(b) Use of estimates and judgments

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated in the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group measure non-controlling interests at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the Relevant Periods between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(e)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)) or a joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investments in associates are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transactions costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(d). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group and the Company are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(s)(vi)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at mortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses (see note 2(i)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Plants and buildings	20-50 years
– Machineries	10-30 years
– Motor vehicles	5-10 years
– Office equipment and fixture	5-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress is stated at cost less any impairment losses (see note 2(i)), and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

No depreciation is provided in respect of construction-in-progress until it is substantially complete and ready for its intended use.

(g) Intangible assets (Software)

Intangible assets (software) of the Group mainly consists of general administrative software and power generation, distribution and sales related systems. Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)). Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives of 5-10 years. Evaluation of the estimated useful lives of the intangible assets is with reference to the factors, including but not limited to the historical usage pattern, product life cycle, the useful life of the dependent assets, legal limits and technology development. Both the period and method of amortisation are reviewed annually.

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(ii) Leasehold land held for own use under operating leases

Leasehold land held for own use under operating leases represent cost of land use rights paid to the PRC government authorities. Land use rights are stated as cost less accumulated amortisation and impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the respective period of the rights.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, loans to third parties and amounts due from related parties); and

- contract assets as defined in IFRS 15 (see note 2(k)).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

- variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-months ECLs: these are losses that are expected to result from possible default events with the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognised a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(s)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each of the Relevant Periods to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land classified as being held under an operating lease;
- intangible assets; and
- investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(s)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(s)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(k)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(i)(i).

(n) Loans and borrowings

Loans and borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, loans and borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(t)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Employee benefits

(i) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) Defined contribution plans

Pursuant to the relevant laws and regulations of the PRC, the Group participates in a defined contribution basic pension insurance in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions are recognised as part of the cost of assets or charged to profit or loss as the related services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

(q) Income tax

Income tax for the Relevant Periods comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the Relevant Periods, using tax rates enacted or substantively enacted at the end of each of the Relevant Periods, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each of the Relevant Periods and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of electricity and goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of electricity

Sale of electricity is recognised upon transmission of power to the customers or the power grid controlled and owned by the state or regional grid companies. A receivable is recognised by the Group when the electricity power is transmitted at the customer's premises as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. In cases where the customers make payment in advance, receipts in advance are recognised as revenue when the electricity power is transmitted to the customers.

(ii) Sales of goods

Sale of goods is recognised when the customer takes possession of and accepts the goods. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on electric engineering projects under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(i)(i)).

(vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and are subsequently recognised as other income in profit or loss over the useful life of the related asset.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Judgements and estimations used in preparation of the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 28 contain information about the assumption and their risk factors relating to financial instruments. Other key sources of significant estimation uncertainty are as follows:

(a) Construction contracts

As explained in policy note 2(s)(iii) revenue from construction contracts can be recognised over time. Such revenue and profit recognition on an uncompleted project is dependent on estimating the total outcome of the construction contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the outcome of contract can be reasonably measured. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each of the Relevant Periods, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of trade and other receivables, including contract assets

The impairment allowances for trade and other receivables, including contract assets are based on assumptions about risk of default and expected credit loss rates. The Group adjusts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at the end of each Relevant Periods.

(c) Depreciation and amortization

Property, plant and equipment and intangible assets are depreciated/amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation/amortisation expense to be recorded during any Relevant Periods. The useful lives and residual values are based on the Group's technological experience with similar assets and taking into account anticipated technological changes. The depreciation/amortisation expense for future periods is adjusted if there are material changes from previous estimates.

(d) Impairment of assets other than inventories and financial assets

As described in note 2(i), assets other than inventories and financial assets are reviewed at the end of each Relevant Periods to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. When a market price of the asset (or an asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount is calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgements are exercised to estimate the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

(e) Income taxes and deferred taxation

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for temporary deductible differences to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management reassess these estimates at the end of each of the Relevant Periods. Additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

4 SEGMENT REPORTING

The directors of the Company have been identified as the Group's most senior executive management. Operating segments are identified on the basis of internal reports that the Group's most senior executive management reviews regularly in allocating resources to segments and in assessing their performances.

The Group's most senior executive management makes resources allocation decisions based on internal management functions and assess the Group's business performance as one integrated business instead of by separate business lines or geographical regions. Accordingly, the Group has only one operating segment and therefore, no segment information is presented.

The Group primarily operates in Mainland China and accordingly, no geographical information is presented.

5 REVENUE

The principal activities of the Group are generating and supplying of power and provision of power supply related equipment/projects engineering construction service.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category is as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Point in time					
Revenue from power business	1,439,906	1,456,378	1,542,311	729,100	846,919
Sales of electric equipment and materials	4,015	2,642	7,118	3,193	2,269
Over time					
Revenue from undertaking the electrical engineering construction projects	170,681	232,655	303,814	104,027	121,368
Total	1,614,602	1,691,675	1,853,243	836,320	970,556

As at 30 June 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB59,136 thousand. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed which is expected to occur over the next 12 months.

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue during the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018.

6 OTHER INCOME AND EXPENSES

(a) Other income

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Government grants *(i)*	6,670	9,644	7,396	3,712	3,549
Power transmission charge	699	807	622	121	–
Interest income *(ii)*	17,109	4,396	1,464	465	533
Fair value changes of other financial assets *(iii)*	2,292	4,685	19,796	11,021	8,820
Long-aged payable written-off *(iv)*	910	8,642	14,224	12,339	–
Late payment surcharge *(v)*	3,244	1,615	511	452	91
Others	3,798	2,804	8,517	1,935	1,979
	34,722	32,593	52,530	30,045	14,972

(b) Other expenses

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Impairment losses on property, plant and equipment	11,192	1,587	13,961	–	–
Net losses on disposal of property, plant and equipment	326	1,462	488	30	26
Others	1,373	2,831	5,345	802	1,381
	12,891	5,880	19,794	832	1,407

(i) Government grants mainly represent financial support from local government authorities for relocation projects and natural disasters.

(ii) Interest income represented the interest from bank deposits, loans to third parties (see note 20) and a fellow subsidiary (see note 30(e)) and prepayments.

(iii) Fair value changes of other financial assets mainly came from the realized and unrealized net income from the financial products issued by banks and the Group's unlisted equity securities (see note 17).

(iv) After assessing the validity of contractual obligation of the payables, the Group wrote off these long-aged payables and credited as other income.

(v) Late payment surcharge mainly came from customers who failed to pay the power bills in time.

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Interest on bank loans	43,604	38,826	36,984	17,451	14,246
Interest on bank overdrafts	2,621	3,530	2,767	1,148	2,327
Interest on other borrowings	3,928	2,645	1,609	1,149	–
Interest on corporate bond	20,822	5,884	–	–	–
	70,975	50,885	41,360	19,748	16,573

(b) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Salaries, wages and other benefits	292,890	316,215	329,590	158,935	155,375
Contributions to defined contribution retirement plan	33,903	37,911	43,788	18,040	21,091
	326,793	354,126	373,378	176,975	176,466

Staff costs includes remuneration of directors, supervisors and senior management (note 9 and note 10).

Pursuant to the relevant labour rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

(c) Other items

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Amortisation*					
– Interests in leasehold land held for own use under operating leases *(note 13)*	2,626	2,652	2,614	1,385	1,356
– Intangible assets *(note 14)*	1,253	1,499	1,469	832	832
	3,879	4,151	4,083	2,217	2,188
Depreciation* *(note 12)*	121,694	125,965	133,546	65,292	68,233
Impairment losses on					
– trade and other receivables	25,260	15,662	1,222	1,541	(2,227)
– property, plant and equipment	11,192	1,587	13,961	–	–
Operating leasing charges*	1,649	3,345	3,643	2,281	1,987
Auditor's remuneration					
– Audit services	785	233	621	297	14
– Tax services	1,841	1,591	2,049	920	303
	2,626	1,824	2,670	1,217	317
Repair and maintenance expenses*	38,514	51,292	47,006	20,927	18,345

* During the years ended 31 December 2015, 2016, and 2017 and the six months ended 30 June 2017 and 2018, cost of sales includes RMB375,431 thousand, RMB415,236 thousand and RMB433,648 thousand, RMB207,067 thousand (unaudited) and RMB203,642 thousand relating to staff and labour costs, depreciation and amortisation expenses, operating lease charges and repair and maintenance expenses, which amounts are also included in the respective total amounts disclosed separately above or in note 7(b) for each of these types of expenses.

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss represents:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax-PRC corporate income tax					
Provision for the year/period	24,667	21,536	22,593	10,910	15,447
Deferred tax					
Origination and reversal of temporary differences	(10,965)	(3,894)	(3,929)	(1,512)	(708)
Effect on deferred tax balances due to change of tax rate	37	618	–	–	–
	(10,928)	(3,276)	(3,929)	(1,512)	(708)
	13,739	18,260	18,664	9,398	14,739

The Company and subsidiaries were incorporated in the PRC. Under the relevant PRC corporate income tax law and respective regulations, except for preferential treatments available to certain subsidiaries as mentioned in table below, other subsidiaries within the Group are subject to corporate income tax at the statutory rate of 25.0%.

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
The Company	25.0%	25.0%	25.0%	25.0%	25.0%
Yibin Electricity *(i)*	15.0%	15.0%	15.0%	15.0%	15.0%
Gong County Electricity *(i)*	15.0%	15.0%	15.0%	15.0%	15.0%
Xingwen Electricity *(i)*	15.0%	15.0%	15.0%	15.0%	15.0%
Gao County Electricity *(i)*	15.0%	15.0%	15.0%	15.0%	15.0%
Junlian Electricity *(i)*	15.0%	15.0%	15.0%	15.0%	15.0%
Pingshan Electricity *(i)*	15.0%	15.0%	15.0%	15.0%	15.0%
Yangliutan Power Generation *(i)*	15.0%	15.0%	15.0%	15.0%	15.0%
Electricity Engineering Construction *(i)*	25.0%	15.0%	15.0%	15.0%	15.0%
Yibin Changyuan *(i)*	25.0%	15.0%	15.0%	15.0%	15.0%
Gong County Mingzhu	25.0%	N/A	N/A	N/A	N/A
Longhua Electricity	25.0%	N/A	N/A	N/A	N/A
Junlian Electric Development *(ii)*	25.0%	20.0%	N/A	N/A	N/A
Yibin City Electricity Sales	N/A	25.0%	25.0%	25.0%	25.0%
Yuejiang Power Generation	N/A	N/A	25.0%	25.0%	25.0%

(i) According to the notice on tax policies in relation to further implementation of the western development strategy, enterprises established in western region and engaged in activities encouraged by the state, are applicable to a preferential corporate income tax rate of 15.0% from 2011 to 2020. Certain subsidiaries operate in the western region of the PRC can enjoy a preferential corporate income tax rate of 15.0%, provided their revenues from principal activities contribute more than 70.0% of their total revenues in each of the year.

(ii) According to related tax authority circulars on tax relief granted to small and low-profit entities, entity is entitled to a preferential corporate income tax rate of 20.0%, provided it meets the criteria of a small and low-profit entity, which requires its annual taxable profit does not exceed RMB300 thousand.

Junlian Electric Development qualifies as a small and low-profit entity in 2016, and enjoyed the preferential corporate income tax rate of 20.0%.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Profit before taxation	118,636	136,084	143,554	74,820	109,995
Notional taxation on profit before taxation, calculated at statutory rate	29,659	34,021	35,889	18,705	27,499
Effect of preferential tax rate *(note (a)(i)(ii))*	(10,389)	(14,346)	(14,583)	(6,514)	(11,246)
Tax effect of non-deductible expenses	2,299	2,427	1,349	444	479
Tax effect of non-taxable income	(3,815)	(2,979)	(3,150)	(1,447)	(887)
Tax effect of non-taxable profit	(4,608)	(4,543)	(3,599)	–	(1,426)
Tax effect of unused tax losses not recognised	729	3,316	3,040	(1,661)	493
Effect on deferred tax balances due to change of tax rate	37	618	–	–	–
Others	(173)	(254)	(282)	(129)	(173)
Actual tax expense	13,739	18,260	18,664	9,398	14,739

9 DIRECTORS' EMOLUMENTS

Directors' emoluments are disclosed as follows:

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Year ended 31 December 2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Zeng Yong (曾勇) *(iii)(v)*	–	175	–	17	192
Executive director					
Mr. Wang Heng (王恒) *(iv)(v)*	–	462	–	25	487
Non-executive directors					
Ms. Wen He (溫和) *(ii)* *(v)*	–	–	–	–	–
Mr. Duan Xingpu (段興普) *(v)*	–	–	–	–	–
Ms. Wang Lu (王璐) *(v)*	–	–	–	–	–
Mr. Sun Hong (孫洪) *(v)*	–	–	–	–	–
Mr. Zhou Yanbin (周燕賓) *(v)*	–	–	–	–	–
Supervisors					
Mr. Liu Zhaoyu (劉兆宇) *(iv)(v)*	–	344	–	20	364
Mr. Zhong Bingtao (鍾冰濤) *(v)*	–	–	–	–	–
Mr. Luo Shangjun (羅尚筠) *(v)*	–	–	–	–	–
	–	981	–	62	1,043

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Year ended 31 December 2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Zeng Yong (曾勇)	–	232	–	18	250
Executive director					
Mr. Wang Heng (王恒)	–	576	–	24	600
Non-executive directors					
Ms. Wen He (溫和) *(vii)*	–	–	–	–	–
Mr. Duan Xingpu (段興普)	–	–	–	–	–
Ms. Wang Lu (王璐)	–	–	–	–	–
Mr. Sun Hong (孫洪)	–	–	–	–	–
Mr. Zhou Yanbin (周燕賓)	–	–	–	–	–
Ms. Xue Changhong (薛長虹) *(vii)*	–	–	–	–	–
Ms. Li Yu (李彧) *(vii)*	–	–	–	–	–
Ms. Li Bi (李苾) *(vii)*	–	57	–	4	61
Supervisors					
Mr. Liu Zhaoyu (劉兆宇)	–	459	–	19	478
Mr. Zhong Bingtao (鍾冰濤)	–	–	–	–	–
Mr. Luo Shangjun (羅尚筠)	–	–	–	–	–
Mr. Chen Hongbin (陳洪斌) *(vii)*	–	–	–	–	–
Ms. Li Jia (李佳) *(vi)*	–	79	–	6	85
Mr. Hu Changxian (胡昌現) *(vi)*	–	76	–	4	80
	–	1,479	–	75	1,554

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Year ended 31 December 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Zeng Yong (曾勇)	–	417	–	39	456
Executive director					
Mr. Wang Heng (王恒)	–	767	–	29	796
Non-executive directors					
Mr. Duan Xingpu (段興普)	–	–	–	–	–
Ms. Wang Lu (王璐)	–	–	–	–	–
Mr. Sun Hong (孫洪) *(ix)*	–	–	–	–	–
Mr. Zhou Yanbin (周燕賓)	–	–	–	–	–
Ms. Xue Changhong (薛長虹) *(ix)*	–	–	–	–	–
Ms. Li Yu (李彧)	–	–	–	–	–
Ms. Li Bi (李苾)	–	286	–	26	312
Mr. Wang Chengke (王承科) *(ix)*	–	–	–	–	–
Mr. Tian Qin (田欽) *(ix)*	–	–	–	–	–
Independent non-executive directors					
Mr. Kin Kwong Kwok Gary (郭建江) *(viii)*	–	–	–	–	–
Mr. Fan Wei (范為) *(viii)*	–	–	–	–	–
Mr. Tang Qingli (唐清利) *(viii)*	–	–	–	–	–
Mr. Wang Peng (王鵬) *(viii)*	–	–	–	–	–
Supervisors					
Mr. Zhong Bingtao (鍾冰濤)	–	–	–	–	–
Mr. Luo Shangjun (羅尚筠)	–	–	–	–	–
Mr. Chen Hongbin (陳洪斌) *(x)*	–	–	–	–	–
Ms. Li Jia (李佳)	–	298	–	24	322
Mr. Hu Changxian (胡昌現)	–	327	–	24	351
Mr. Zeng Zhiwei (曾志偉) *(x)*	–	–	–	–	–
Ms. Fu Ruoxue (傅若雪) *(ix)*	–	–	–	–	–
	–	2,095	–	142	2,237

	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Six months ended 30 June 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Zeng Yong (曾勇)	–	209	–	19	228
Executive director					
Mr. Wang Heng (王恒)	–	217	–	19	236
Non-Executive directors					
Mr. Duan Xingpu (段興普) *(xii)*	–	–	–	–	–
Ms. Wang Lu (王璐)	–	–	–	–	–
Mr. Sun Hong (孫洪) *(xii)*	–	–	–	–	–
Mr. Zhou Yanbin (周燕賓)	–	–	–	–	–
Ms. Li Yu (李彧)	–	–	–	–	–
Ms. Li Bi (李苾) *(xii)*	–	177	–	19	196
Mr. Wang Chengke (王承科)	–	–	–	–	–
Mr. Tian Qin (田欽) *(xi)*	–	–	–	–	–
Ms. Han Chunhong (韓春紅) *(xi)*	–	–	–	–	–
Independent non-executive directors					
Mr. Kin Kwong Kwok Gary (郭建江)	–	–	–	–	–
Mr. Fan Wei (范為)	–	–	–	–	–
Mr. Tang Qingli (唐清利) *(xi)*	–	–	–	–	–
Mr. Wang Peng (王鵬)	–	–	–	–	–
Ms. He Zhen (何真) *(xi)*	–	–	–	–	–
Supervisors					
Mr. Zhong Bingtao (鍾冰濤) *(xii)*	–	–	–	–	–
Mr. Luo Shangjun (羅尚筠) *(xii)*	–	–	–	–	–
Ms. Li Jia (李佳)	–	192	–	19	211
Mr. Hu Changxian (胡昌現)	–	186	–	19	205
Mr. Zeng Zhiwei (曾志偉)	–	–	–	–	–
Ms. Fu Ruoxue (傅若雪)	–	–	–	–	–
	–	981	–	95	1,076

(Unaudited)	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Six months ended 30 June 2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman					
Mr. Zeng Yong (曾勇) . . .	–	104	–	10	114
Executive director					
Mr. Wang Heng (王恒). . .	–	197	–	11	208
Non-Executive directors					
Mr. Duan Xingpu (段興普)	–	–	–	–	–
Ms. Wang Lu (王璐)	–	–	–	–	–
Mr. Sun Hong (孫洪) *(ix)*	–	–	–	–	–
Mr. Zhou Yanbin (周燕賓)	–	–	–	–	–
Ms. Xue Changhong (薛長虹) (ix)	–	–	–	–	–
Ms. Li Yu (李彧)	–	–	–	–	–
Ms. Li Bi (李苾)	–	215	–	8	223
Mr. Wang Chengke (王承科) (ix)	–	–	–	–	–
Mr. Tian Qin (田欽) *(ix)*. .	–	–	–	–	–
Independent non-executive directors					
Mr. Kin Kwong Kwok Gary (郭建江) *(viii)*.	–	–	–	–	–
Mr. Fan Wei (范為) *(viii)*	–	–	–	–	–
Mr. Tang Qingli (唐清利) *(viii)*	–	–	–	–	–
Mr. Wang Peng (王鵬) *(viii)*	–	–	–	–	–
Supervisors					
Mr. Liu Zhaoyu (劉兆宇)	–	141	–	8	149
Mr. Zhong Bingtao (鍾冰濤)	–	–	–	–	–
Mr. Luo Shangjun (羅尚筠)	–	–	–	–	–
Mr. Chen Hongbin (陳洪斌)	–	–	–	–	–
Ms. Li Jia (李佳)	–	158	–	7	165
Mr. Hu Changxian (胡昌現)	–	180	–	7	187
Ms. Fu Ruoxue (傅若雪) *(ix)*	–	–	–	–	–
	–	995	–	51	1,046

(i) During the Relevant Periods, no emoluments were paid by the Group to the directors or any of the five highest paid individuals set out in note 10 below as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Relevant Periods. No remuneration was paid to independent non-executive directors during the Relevant Periods.

(ii) On 29 September 2011, Ms. Wen He was appointed as non-executive director of the Company.

(iii) On 3 July 2012, Mr. Zeng Yong was appointed as executive director of the Company.

(iv) On 4 July 2014, Mr. Wang Heng was appointed as executive director of the Company and Mr. Liu Zhaoyu was appointed as supervisor of the Company.

(v) On 30 September 2014, Mr. Zeng Yong and Mr. Wang Heng were re-designated as executive directors of the Company, Ms. Wen He was re-designated as non-executive director of the Company and Mr. Liu Zhaoyu was re-designated as supervisor of the Company; Mr. Duan Xingpu, Ms. Wang Lu, Mr. Sun Hong and Mr. Zhou Yanbin were appointed as non-executive directors of the Company; Mr. Zhong Bingtao and Mr. Luo Shangjun were appointed as supervisors of the Company.

(vi) On 23 August 2016, Ms. Li Jia and Mr. Hu Changxian were appointed as supervisors of the Company.

(vii) On 10 October 2016, Ms. Xue Changhong, Ms. Li Yu and Ms. Li Bi were appointed as non-executive directors of the Company. Ms. Wen He resigned as director of the Company. Mr. Chen Hongbin was appointed as supervisor of the Company.

(viii) On 24 April 2017, Mr. Kin Kwong Kwok Gary, Mr. Fan Wei, Mr. Tang Qingli, and Mr. Wang Peng were appointed as independent non-executive directors of the Company.

(ix) On 16 May 2017, Mr. Sun Hong and Ms. Xue Changhong resigned as non-executive directors of the Company and Mr. Wang Chengke and Mr. Tian Qin were appointed as non-executive directors of the Company and Ms. Fu Ruoxue was appointed as supervisor of the Company.

(x) On 5 September 2017, Mr. Zeng Zhiwei was appointed as supervisor of the Company and Mr. Chen Hongbin resigned as supervisor of the Company.

(xi) On 27 March 2018, Mr. Tang Qingli resigned as independent non-executive director of the Company and Mr. Tian Qin resigned as non-executive director of the Company. Ms. Han Chunhong was appointed as non-executive director of the Company and Ms. He Zhen was appointed as independent non-executive director of the Company.

(xii) On 20 August 2018, Mr. Zhong Bingtao and Mr. Luo Shangjun resigned as supervisors of the Company; Mr. Duan Xingpu, Mr. Sun Hong and Ms. Li Bi resigned as non-executive directors of the Company; Mr. Li Hui (李暉) was appointed as executive director of the Company; Ms. Chen Yingchun (陳迎春) and Mr. Ouyang Yu (歐陽煜) were appointed as supervisors of the Company.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 and 2018, of the five individuals with the highest emoluments, two, two, two, three (unaudited) and four of them are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other emoluments . . .	1,153	1,448	1,929	319	210
Retirement scheme contributions . .	70	57	80	9	19
	1,223	1,505	2,009	328	229

The emoluments of the above individuals with the highest emoluments are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	Number of individuals	Number of individuals	Number of individuals	Number of individuals (unaudited)	Number of individuals
Nil – HKD1,000,000	3	3	3	2	1

11 EARNINGS PER SHARE

The calculation of basic earnings per share for the Relevant Periods is based on the profit attributable to equity shareholder of the Company for each of the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018 and the 805,557,700 shares in issue during the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2017 (unaudited) and 2018.

There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are the same as basic earnings per share.

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Plants and buildings	Machineries	Motor vehicles	Office equipment and fixture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At 1 January 2015	1,036,103	2,494,137	41,303	28,240	112,951	3,712,734
Additions	10,286	11,591	3,455	8,075	88,263	121,670
Transfers from construction in progress	9,622	73,151	118	1,163	(84,054)	–
Disposals	(7,251)	(22,962)	(1,306)	(1,513)	(1,817)	(34,849)
At 31 December 2015 and 1 January 2016	1,048,760	2,555,917	43,570	35,965	115,343	3,799,555
Additions	11,264	14,027	1,352	6,883	25,556	59,082
Transfers from construction in progress	3,481	82,593	–	3,364	(89,438)	–
Disposals	–	(8,430)	(809)	(1,346)	–	(10,585)
At 31 December 2016 and 1 January 2017	1,063,505	2,644,107	44,113	44,866	51,461	3,848,052
Additions	18,242	17,623	3,462	8,959	52,669	100,955
Transfers from construction in progress	6,330	9,993	–	4,787	(21,110)	–
Disposals	(608)	(2,342)	(1,844)	(1,615)	–	(6,409)
Reclass	16,523	(16,555)	–	32	–	–

	Plants and buildings	Machineries	Motor vehicles	Office equipment and fixture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2017 and 1 January 2018	1,103,992	2,652,826	45,731	57,029	83,020	3,942,598
Additions	561	6,074	11	995	25,587	33,228
Transfers from construction in progress	5	8,848	–	18	(8,871)	–
Disposals	–	–	(381)	(5)	–	(386)
Others	(1,018)	–	–	–	–	(1,018)
At 30 June 2018	1,103,540	2,667,748	45,361	58,037	99,736	3,974,422
Accumulated depreciation and impairment losses:						
At 1 January 2015	(239,772)	(635,065)	(19,844)	(23,340)	(1,817)	(919,838)
Depreciation charge for the year	(25,904)	(89,121)	(3,650)	(3,019)	–	(121,694)
Impairment loss	(4,469)	(6,674)	(45)	(4)	–	(11,192)
Written back on disposal	7,251	22,855	1,219	1,381	1,817	34,523
At 31 December 2015 and 1 January 2016	(262,894)	(708,005)	(22,320)	(24,982)	–	(1,018,201)
Depreciation charge for the year	(27,057)	(91,574)	(3,498)	(3,836)	–	(125,965)
Impairment loss	(201)	(1,371)	(6)	(9)	–	(1,587)
Written back on disposal	–	5,773	662	1,283	–	7,718
At 31 December 2016 and 1 January 2017	(290,152)	(795,177)	(25,162)	(27,544)	–	(1,138,035)
Depreciation charge for the year	(26,115)	(98,765)	(3,454)	(5,212)	–	(133,546)
Impairment loss	(2,930)	(10,872)	(6)	(153)	–	(13,961)
Written back on disposal	376	2,236	1,761	1,535	–	5,908
Reclass	(1,598)	1,602	–	(4)	–	–
At 31 December 2017 and 1 January 2018	(320,419)	(900,976)	(26,861)	(31,378)	–	(1,279,634)
Depreciation charge for the period	(12,935)	(50,517)	(2,098)	(2,683)	–	(68,233)
Written back on disposal	–	–	354	5	–	359
At 30 June 2018	(333,354)	(951,493)	(28,605)	(34,056)	–	(1,347,508)
Net book value:						
At 31 December 2015	785,866	1,847,912	21,250	10,983	115,343	2,781,354
At 31 December 2016	773,353	1,848,930	18,951	17,322	51,461	2,710,017
At 31 December 2017	783,573	1,751,850	18,870	25,651	83,020	2,662,964
At 30 June 2018	770,186	1,716,255	16,756	23,981	99,736	2,626,914

The Company

	Plants and buildings	Machineries	Motor vehicles	Office equipment and fixture	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:					
At 1 January 2015	30,746	12,740	3,855	1,882	49,223
Additions	–	–	–	88	88
At 31 December 2015 and 1 January 2016	30,746	12,740	3,855	1,970	49,311
Additions	–	–	–	74	74
At 31 December 2016 and 1 January 2017	30,746	12,740	3,855	2,044	49,385
Additions	–	–	–	113	113
At 31 December 2017 and 1 January 2018	30,746	12,740	3,855	2,157	49,498
Additions	–	–	–	85	85
At 30 June 2018	30,746	12,740	3,855	2,242	49,583
Accumulated depreciation:					
At 1 January 2015	(1,458)	(1,062)	(925)	(735)	(4,180)
Charge for the year	(734)	(637)	(403)	(367)	(2,141)
At 31 December 2015 and 1 January 2016	(2,192)	(1,699)	(1,328)	(1,102)	(6,321)
Charge for the year	(734)	(600)	(355)	(377)	(2,066)
At 31 December 2016 and 1 January 2017	(2,926)	(2,299)	(1,683)	(1,479)	(8,387)
Charge for the year	(734)	(602)	(355)	(274)	(1,965)
At 31 December 2017 and 1 January 2018	(3,660)	(2,901)	(2,038)	(1,753)	(10,352)
Charge for the period	(367)	(300)	(178)	(64)	(909)
At 30 June 2018	(4,027)	(3,201)	(2,216)	(1,817)	(11,261)
Net book value:					
At 31 December 2015	28,554	11,041	2,527	868	42,990
At 31 December 2016	27,820	10,441	2,172	565	40,998
At 31 December 2017	27,086	9,839	1,817	404	39,146
At 30 June 2018	26,719	9,539	1,639	425	38,322

(a) All of the property, plant and equipment owned by the Group are located in the mainland China.

(b) As at 31 December 2015, buildings and machineries with net book value of RMB3,817 thousand, were pledged to banks for certain bank loans (see note 24(c)). No property, plant and equipment were pledged to banks as at 31 December 2016 and 2017 and 30 June 2018.

(c) During the Relevant Periods, certain property, plant and equipment were physically damaged or ceased for operation. The Group assessed the recoverable amounts of those property, plant and equipment as nil and as a result, the carrying amounts of those property, plant and equipment were fully written off. Impairment losses of RMB11,192 thousand, RMB1,587 thousand and RMB13,961 thousand and nil were recognised in "Other expenses" for the years ended 31 December 2015, 2016 and 2017 and six-month period ended 30 June 2018, respectively.

(d) As at 30 June 2018, the Group was in the process of applying for property ownership certificates for certain buildings with an aggregate net book value of RMB3,801 thousand. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title of these buildings.

(e) Advance payments were made to vendors or contractors for equipment or construction work to be delivered. Advance payments included in construction in progress amounted to RMB15,819 thousand, RMB6,710 thousand and RMB7,801 thousand and RMB8,478 thousand as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

13 INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cost:				
As at 1 January	134,643	135,001	139,399	154,709
Additions	358	4,398	15,310	1,201
As at 31 December/30 June	135,001	139,399	154,709	155,910
Accumulated amortization:				
As at 1 January	(12,767)	(15,393)	(18,045)	(20,659)
Additions	(2,626)	(2,652)	(2,614)	(1,356)
As at 31 December/30 June	(15,393)	(18,045)	(20,659)	(22,015)
Net book value:				
As at 31 December/30 June	119,608	121,354	134,050	133,895

(a) Interests in leasehold land held for own use under operating leases represent payments for land use rights of land located in the mainland China where the Group's plants situate. The period for the land use rights is no more than 50 years.

(b) As at 31 December 2015, interests in leasehold land held for own use under operating leases with net book value of RMB750 thousand, were pledged to banks for certain bank loans. No interests in leasehold land held for own use under operating leases were pledged to banks as at 31 December 2016 and 2017 and 30 June 2018 (see note 24(c)).

(c) As at 30 June 2018, the Group was in the process of applying for ownership certificates for certain interests in leasehold land with an aggregate net book value of RMB88 thousand. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial title of these interests in leasehold land held for own use under operating leases.

14 INTANGIBLE ASSETS

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
As at 1 January	10,434	11,689	13,808	15,346
Additions	1,255	2,119	1,538	273
As at 31 December/30 June	11,689	13,808	15,346	15,619
Accumulated amortization:				
As at 1 January	(5,844)	(7,097)	(8,596)	(10,065)
Additions	(1,253)	(1,499)	(1,469)	(832)
As at 31 December/30 June	(7,097)	(8,596)	(10,065)	(10,897)
Net book value:				
As at 31 December/30 June	4,592	5,212	5,281	4,722

15 INVESTMENT IN SUBSIDIARIES

The Company

The carrying amount of investments in subsidiaries is listed below:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Yibin Electricity	60,000	60,000	60,000	60,000
Gong County Electricity	44,764	44,764	44,764	44,764
Xingwen Electricity	97,350	97,350	97,350	97,350
Gao County Electricity *(e)*	308,302	308,302	305,302	305,302
Junlian Electricity	40,000	40,000	40,000	40,000
Pingshan Electricity	113,505	113,505	113,505	113,505
Yangliutan Power Generation *(b)*	146,504	340,315	340,315	340,315
Electricity Engineering Construction *(c)*	5,400	9,400	9,400	21,400
Yibin City Electricity Sales *(d)*	–	–	16,280	16,280
Yuejiang Power Generation *(e)*	–	–	3,000	3,000
	815,825	1,013,636	1,029,916	1,041,916

(a) See details of the subsidiaries of the Group during the Relevant Periods in note 1.

(b) The Group acquired the remaining 49% non-controlling interests in Yangliutan Power Generation in 2016 (see note 30(f)(i)).

(c) On 21 May 2015, the Company purchased 100% equity interests of Electricity Engineering Construction from Yibin Electricity, a subsidiary of the Company, for a consideration of RMB1,400 thousand. Subsequently, the Company made three capital injections to Electricity Engineering Construction for RMB4,000 thousand, RMB4,000 thousand and RMB12,000 thousand in 2015, 2016 and six months ended 30 June 2018, respectively.

(d) On 28 September 2016, the Company and Yibin City State-owned Assets Operation Co., Ltd. set up Yibin City Electricity Sales. The paid-in capital of Yibin City Electricity sales is RMB22,000 thousand, of which the Company holds 74% equity interest. The Company completed the capital injection on 15 February 2017.

(e) On 26 April 2017, Yuejiang Power Generation was spun off from Gao County Electricity. The paid-in capital of Yuejiang Power Generation is RMB3,000 thousand and the paid-in capital of Gao County Electricity decreased by RMB3,000 thousand accordingly.

16 INVESTMENT IN ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted entities whose quoted market prices are not available.

				Proportion of ownership interest			
Name of associate*	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
			(RMB'000)				
Emeishan Jinkun Micro-credit Co., Ltd. (峨眉山市金坤小額貸款有限公司)	Incorporation	The PRC	200,000	20.0%	20.0%	–	Authorised financial and consulting services
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. (宜賓市南溪區金坤小額貸款有限公司)	Incorporation	The PRC	400,000	25.0%	25.0%	–	Authorised financial and consulting services
Sichuan Yibin Electricity Co., Ltd (四川宜賓電力有限公司) *(a)*	Incorporation	The PRC	100,000	30.0%	30.0%	–	Power supply
Pingshan Jinping Real Estate Development Co., Ltd. (屏山金屏房地產開發有限公司)	Incorporation	The PRC	28,320	49.0%	–	49.0%	Property investment, agency and management service
Xuyong County Jiangmen New District Electricity Development Co., Ltd. (敘永縣江門新區電力開發有限責任公司) *(b)*	Incorporation	The PRC	32,000	49.0%	–	49.0%	Authorised power supply

* The English translation of the associates' names is for reference only. The official names of these companies are in Chinese.

All of the associates are accounted for using the equity method in the consolidated financial statements.

(a) In September 2017, the Company together with Sichuan Province State Power Company (國網四川省電力公司) and Yibin City State-owned Assets Operation Co., Ltd. (宜賓市國有資產經營有限公司) set up Sichuan Yibin Electricity Co., Ltd, in which the Group holds 30% equity interest with a subscribed contribution of RMB30,000 thousand. At the date of this report, the Company has not yet made the contribution which was due on 30 June 2018 according to the articles of association.

(b) In March 2015, one of the subsidiary, Xingwen Electricity acquired additional 17% equity interests of Xuyong County Jiangmen New District Electricity Development Co., Ltd. from a third party individual, for a cash consideration of RMB5,440 thousand.

(c) Aggregate information of associates that are not individually material:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	187,133	184,651	216,487	256,746
Aggregate amounts of the Group's share of those associates'				
Profits from continuing operations	13,026	9,523	10,672	2,415
Other comprehensive income	–	–	–	–
Total comprehensive income	13,026	9,523	10,672	2,415

17 OTHER FINANCIAL ASSETS

The Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current				
Financial assets measured at FVPL				
– Financial products *(a)*	210,385	265,278	–	–
Non-current				
Financial assets measured at FVPL				
– Unlisted equity securities *(b)*	170	170	111,373	111,089
	210,555	265,448	111,373	111,089

The Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Financial assets measured at FVPL				
– Financial products *(a)*	210,385	265,278	–	–
Non-current				
Financial assets measured at FVPL				
– Unlisted equity securities *(b)*	–	–	111,203	110,919
	210,385	265,278	111,203	110,919

(a) The financial products were issued by a bank with variable return and can be redeemed on demand or in a short term. The movements are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	–	210,385	265,278	–
Payments for investments	510,000	735,000	2,378,000	854,000
Changes in fair value recognised in profit or loss during the year/period	2,292	4,685	5,582	1,577
Proceeds from redemptions	(301,907)	(684,792)	(2,648,860)	(855,577)
At 31 December/30 June	210,385	265,278	–	–
Total gains or losses for the period included in profit or loss for assets held at the end of the Relevant Periods	385	1,278	–	–

(b) The movements of unlisted equity securities are as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	170	170	170	111,373
Payments for investments *(i)*	–	–	100,000	–
Changes in fair value recognised in profit or loss during the year/period	–	–	14,214	7,243
Investment income received	–	–	(3,011)	(7,527)
At 31 December/30 June	170	170	111,373	111,089
Total gains or losses for the period included in profit or loss for assets held at the end of the Relevant Periods	–	–	14,214	7,243

(i) On 18 January and 17 March 2017, the Company made cumulative investments of RMB100,000 thousand in Lhasa Jinding Xingneng Investment Center (LLP) (拉薩金鼎興能投資中心(有限合伙)) ("Jinding Fund") as an inferior limited partner. According to the partnership agreement, the investment period is no less than three years but not exceeding five years.

Further details of the Group's fair value measurement are set out in note 28(d).

18 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	25,327	33,167	31,956	45,259
Spare parts and others	189	284	176	241
	25,516	33,451	32,132	45,500

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets				
Arising from performance under construction contracts *(i)*	3,281	4,127	4,656	13,346
Receivables from construction contracts with customers within the scope of IFRS 15,which are included in "Trade and other receivables" *(note 20)*	**80,156**	**94,005**	**133,958**	**154,711**

(b) Contract liabilities

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities				
Construction contracts				
– Billings in advance of performance *(i)*	21,125	17,628	17,986	21,026
Power business				
– Sales advances *(ii)*	41,276	89,733	115,668	127,461
	62,401	107,361	133,654	148,487

Movement in contract liabilities

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January	47,809	62,401	107,361	133,654
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the period	(47,809)	(62,401)	(107,361)	(104,913)
Increase in contract liabilities as a result of receiving sales advances in respect of power business	41,926	89,750	115,150	104,937
Increase in contract liabilities as a result of billing in advance of construction activities	20,475	17,611	18,504	14,809
Balance at 31 December/30 June	62,401	107,361	133,654	148,487

(i) The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. When the Group's entitlement to the consideration was conditional on achieving certain milestone it gives rise to contract assets recognised; when the Group bill and receive the consideration in advance of the construction activities, it gives rise to construction liabilities. The amounts of contract assets or contract liabilities arisen from construction contracts as each of Relevant Periods end are expected to be recovered or recognised as income within one year.

(ii) The Group's usually receive advances from customers when they tops up for electricity. The top-up is recognised as contract liability until transmission of power to these customers. The amounts of contract liabilities arisen from sales advances as each of Relevant Periods end are expected to be recognised as income within one year.

20 TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors *(a)*	233,415	231,410	256,681	291,810
Bills receivable *(a)*	3,500	3,641	3,582	9,320
Less: Allowance for doubtful debts *(28(a))*	(65,209)	(79,744)	(80,572)	(78,838)
	171,706	155,307	179,691	222,292
Other receivables	47,979	41,379	33,919	37,280
Less: Allowance for doubtful debts	(14,526)	(15,254)	(15,950)	(15,457)
	33,453	26,125	17,969	21,823
Loans to third parties	44,447	29,934	29,534	29,534
Less: Allowance for doubtful debts	(30,545)	(29,878)	(29,534)	(29,534)
	13,902	56	–	–
Amounts due from related parties *(note 30(e))*	275,114	202,017	104,344	67,370
Financial assets measured at amortised cost	494,175	383,505	302,004	311,485
Prepayments and deposits *(b)*	38,945	22,448	23,083	35,021
	533,120	405,953	325,807	346,506

The Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables	172	11	99	383
Prepayments *(b)*	180	1,359	5,242	5,840
Amounts due from subsidiaries and other related parties	1,033,609	921,139	844,853	815,069
	1,033,961	922,509	850,194	821,292

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) *Ageing analysis of trade debtors and bills receivable*

As at the end of each Relevant Periods, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables) of the Group, based on the invoice date and net of allowance for doubtful debts, is as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 6 months (inclusive)	148,894	127,469	116,291	138,741
6 months to 1 year (inclusive)	7,707	15,805	33,942	47,793
1 to 2 years (inclusive)	8,829	6,999	14,851	18,493
2 to 3 years (inclusive)	5,680	3,528	6,801	9,714
3 to 4 years (inclusive)	504	1,202	4,599	4,790
4 to 5 years (inclusive)	66	264	2,240	2,024
Over 5 years	26	40	967	737
	171,706	155,307	179,691	222,292

Trade debtors and bills receivable are due pursuant to the terms of the agreements. Further details of the Group's credit policy are set out in note 28(a).

(b) *Prepayments and deposits*

Prepayments and deposits mainly represented the amounts prepaid to suppliers for purchase of electricity, raw materials and services. All of the prepayments are expected to be settled or recognised in profit or loss within one year.

21 RESTRICTED DEPOSITS

As at 31 December 2015 and 2016, restricted deposits represented deposits in a bank and can only be used upon approval from Sichuan Development Holding Co., Ltd. (四川發展(控股)有限責任公司), the ultimate controlling company of the Group. On 19 September 2017, the restricted deposits were all released to the Group upon cancellation of restriction.

As at 30 June 2018, the restricted deposit represented the deposit used to obtain a letter of guarantee issued by a bank.

22 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Deposits with banks	514,143	236,989	395,787	455,447
Cash on hand	60	42	24	36
Cash in the consolidated statement of financial position	514,203	237,031	395,811	455,483
Bank overdrafts *(note 24(a))*	(550,269)	(330,234)	(300,473)	(300,929)
Cash in the consolidated statements of cash flows	(36,066)	(93,203)	95,338	154,554

The Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deposits with banks	321,312	73,330	266,165	304,567
Cash on hand	–	–	–	6
Cash in the statements of cash flows	321,312	73,330	266,165	304,573

(b) Reconciliation of profit before taxation to cash generate from operations

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	118,636	136,084	143,554	74,820	109,995
Adjustments for:					
Depreciation	121,694	125,965	133,546	65,292	68,233
Impairment losses on trade and other receivables, including contract assets	25,260	15,662	1,222	1,541	(2,227)
Impairment losses on property, plant and equipment	11,192	1,587	13,961	–	–
Amortisation of intangible assets and interests in leasehold land held for own use under operating leases	3,879	4,151	4,083	2,217	2,188
Amortisation of deferred income	(6,671)	(8,804)	(6,983)	(3,486)	(3,549)
Net losses on disposal of property, plant and equipment	326	1,462	488	30	26
Finance costs	70,975	50,885	41,360	19,748	16,573
Interest income	(17,109)	(4,396)	(1,464)	(465)	(533)
Share of profits less losses of associates	(13,026)	(9,523)	(10,672)	(4,591)	(2,415)
Fair value changes of other financial assets	(2,292)	(4,685)	(19,796)	(11,021)	(8,820)
Changes in working capital:					
Changes in inventories	(3,256)	(7,935)	1,319	(9,645)	(13,368)
Changes in trade and other receivables	(80,944)	(4,133)	(32,675)	(25,624)	(62,948)
Changes in contract assets	(2,100)	(846)	(529)	784	(8,690)
Changes in trade and other payables	26,839	118,138	78,826	(46,487)	(32,110)
Changes in contract liabilities	14,592	44,960	26,293	18,869	14,833
Changes in restricted deposits	(143)	(118)	38,749	(59)	(2,000)
Cash generated from operations	267,852	458,454	411,282	81,923	75,188

(c) Reconciliation of liabilities arising from financing activities

	Bank loans	Corporate bond	Loans from the Parent	Other borrowings	Dividend payables	Interest payables	Total
	Note 24	Note 24	Note 24	Note 24	Note 23 & 30(e)	Note 23	
At 1 January 2015	684,800	400,000	53,258	24,922	3,696	27,442	1,194,118
Changes from financing cash flows:							
Proceeds from new bank loans	490,000	–	–	–	–	–	490,000
Repayment of bank loans	(472,800)	–	–	–	–	–	(472,800)
Repayment of corporate bond	–	(200,000)	–	–	–	–	(200,000)
Repayment of loans from the Parent	–	–	(9,981)	–	–	–	(9,981)
Repayment of loans from third parties	–	–	–	(1,000)	–	–	(1,000)
Dividend paid to equity holders of the Company	–	–	–	–	(40,264)	–	(40,264)
Dividend paid to non-controlling interests	–	–	–	–	(9,800)	–	(9,800)
Interest paid	–	–	–	–	–	(78,582)	(78,582)
Total changes from financing cash flows	17,200	(200,000)	(9,981)	(1,000)	(50,064)	(78,582)	(322,427)
Other changes:							
Dividends approved in respect of the previous year	–	–	–	–	58,394	–	58,394
Financial costs	–	–	–	–	–	70,975	70,975
Total other changes	–	–	–	–	58,394	70,975	129,369
At 31 December 2015	702,000	200,000	43,277	23,922	12,026	19,835	1,001,060

	Bank loans	Corporate bond	Loans from the Parent	Other borrowings	Dividend payables	Interest payables	Total
	Note 24	Note 24	Note 24	Note 24	Note 23 & 30(e)	Note 23	
At 1 January 2016	702,000	200,000	43,277	23,922	12,026	19,835	1,001,060
Changes from financing cash flows:							
Proceeds from new bank loans	800,000	–	–	–	–	–	800,000
Repayment of bank loans	(702,000)	–	–	–	–	–	(702,000)
Repayment of corporate bond	–	(200,000)	–	–	–	–	(200,000)
Repayment of loans from the Parent	–	–	(5,654)	–	–	–	(5,654)
Repayment of loans from third parties	–	–	–	(1,000)	–	–	(1,000)
Dividend paid to equity holders of the Company	–	–	–	–	(76,210)	–	(76,210)
Dividend paid to non-controlling interests	–	–	–	–	(7,573)	–	(7,573)
Interest paid	–	–	–	–	–	(64,416)	(64,416)
Total changes from financing cash flows	98,000	(200,000)	(5,654)	(1,000)	(83,783)	(64,416)	(256,853)
Other changes:							
Dividends approved in respect of the previous year	–	–	–	–	71,757	–	71,757
Financial costs	–	–	–	–	–	50,885	50,885
Total other changes	–	–	–	–	71,757	50,885	122,642
At 31 December 2016	800,000	–	37,623	22,922	–	6,304	866,849

	Bank loans	Corporate bond	Loans from the Parent	Other borrowings	Dividend payables	Interest payables	Total
	Note 24	Note 24	Note 24	Note 24	Note 23 & 30(e)	Note 23	
At 1 January 2017	800,000	–	37,623	22,922	–	6,304	866,849
Changes from financing cash flows:							
Proceeds from new bank loans	580,000	–	–	–	–	–	580,000
Repayment of bank loans	(808,000)	–	–	–	–	–	(808,000)
Repayment of loans from the Parent	–	–	(2,148)	–	–	–	(2,148)
Repayment of loans from third parties	–	–	–	(2,190)	–	–	(2,190)
Dividend paid to equity holders of the Company	–	–	–	–	(32,893)	–	(32,893)
Interest paid	–	–	–	–	–	(41,795)	(41,795)
Total changes from financing cash flows	(228,000)	–	(2,148)	(2,190)	(32,893)	(41,795)	(307,026)
Other changes:							
Dividends approved in respect of the previous year	–	–	–	–	64,445	–	64,445
Financial costs	–	–	–	–	–	41,360	41,360
Offsetting with the Parent	–	–	(35,475)	–	(31,552)	–	(67,027)
Total other changes	–	–	(35,475)	–	32,893	41,360	38,778
At 31 December 2017	572,000	–	–	20,732	–	5,869	598,601

	Bank loans	Corporate bond	Loans from the Parent	Other borrowings	Dividend payables	Interest payables	Total
	Note 24	Note 24	Note 24	Note 24	Note 23 & 30(e)	Note 23	
At 1 January 2018	572,000	–	–	20,732	–	5,869	598,601
Changes from financing cash flows:							
Proceeds from new bank loans	350,000	–	–	–	–	–	350,000
Repayment of bank loans	(313,000)	–	–	–	–	–	(313,000)
Repayment of loans from third parties	–	–	–	(5,588)	–	–	(5,588)
Interest paid	–	–	–	–	–	(17,293)	(17,293)
Total changes from financing cash flows	37,000	–	–	(5,588)	–	(17,293)	14,119
Other changes:							
Dividends approved in respect of the previous year	–	–	–	–	64,445	–	64,445
Financial costs	–	–	–	–	–	16,573	16,573
Total other changes	–	–	–	–	64,445	16,573	81,018
At 30 June 2018	609,000	–	–	15,144	64,445	5,149	693,738

(Unaudited)	Bank loans	Corporate bond	Loans from the Parent	Other borrowings	Dividend payables	Interest payables	Total
	Note 24	Note 24	Note 24	Note 24	Note 23 & 30(e)	Note 23	
At 1 January 2017	800,000	–	37,623	22,922	–	6,304	866,849
Changes from financing cash flows:							
Proceeds from new bank loans	210,000	–	–	–	–	–	210,000
Repayment of bank loans	(255,000)	–	–	–	–	–	(255,000)
Repayment of loans from the Parent	–	–	(2,148)	–	–	–	(2,148)
Interest paid	–	–	–	–	–	(20,927)	(20,927)
Total changes from financing cash flows	(45,000)	–	(2,148)	–	–	(20,927)	(68,075)
Other changes:							
Financial costs	–	–	–	–	–	19,748	19,748
Total other changes	–	–	–	–	–	19,748	19,748
At 30 June 2017	755,000	–	35,475	22,922	–	5,125	818,522

23 TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	136,678	235,773	335,269	346,478
Other payables	193,889	149,878	136,850	131,128
Interest payables	19,835	6,304	5,869	5,149
Dividend payables *(i)*	261	–	–	30,898
Employee benefits payables	59,407	61,967	60,274	24,550
Other tax payables	7,458	8,658	10,408	7,055
Amounts due to related parties *(note 30(e))*	34,994	24,356	42,871	74,534
	452,522	486,936	591,541	619,792

The Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	–	10	–
Other payables	4,524	6,503	6,476	6,655
Interest payables	10,210	1,541	721	–
Dividend payables *(i)*	–	–	–	30,898
Employee benefits payables	7,020	8,981	5,451	1,549
Other tax payables	483	385	226	634
Amounts due to subsidiaries and other related parties	46,745	216,249	373,764	386,063
	68,982	233,659	386,648	425,799

As at the end of the Relevant Periods, the aging analysis of the trade payables (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year (inclusive)	126,654	211,343	304,945	328,627
1 to 2 years (inclusive)	969	18,453	23,844	13,887
2 to 3 years (inclusive)	2,820	463	3,735	296
Over 3 years	6,235	5,514	2,745	3,668
	136,678	235,773	335,269	346,478

(i) Dividend Payables

As at 31 December 2015, the dividend payables of the Group represented dividend payables to Yangliutan Power Generation's non-controlling interests.

As at 30 June 2018, the dividend payables of the Group represented dividend payables to the non-controlling shareholders of the Group.

The dividend payables to the Parent, ultimate controlling company and a shareholder with significant influence over the Group are presented in the amounts due to other related parties (see note 30(e)).

24 LOANS AND BORROWINGS

(a) The analysis of the carrying amount of loans and borrowings is as follows:

The Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank overdrafts *(i)*	550,269	330,234	300,473	300,929
Unsecured bank loans *(ii)*	490,000	570,000	350,000	180,000
Current portion of non-current unsecured bank loans *(ii)*	200,000	8,000	93,000	129,000
Current portion of non-current secured bank loans *(ii)*	4,000	–	–	–
Current portion of non-current loans from the Parent	2,604	2,070	–	–
Current portion of other borrowings *(iii)*	23,922	22,922	20,732	15,144
Current portion of corporate bond *(iv)*	200,000	–	–	–
	1,470,795	933,226	764,205	625,073
Non-current				
Unsecured bank loans *(ii)*	200,000	230,000	222,000	429,000
Secured bank loans *(ii)*	12,000	–	–	–
Loans from the Parent *(note 30(e))*	43,277	37,623	–	–
Other borrowings *(iii)*	23,922	22,922	20,732	15,144
Corporate bond *(iv)*	200,000	–	–	–
Less: Current portion of non-current unsecured bank loans *(ii)*	(200,000)	(8,000)	(93,000)	(129,000)
Current portion of non-current secured bank loans *(ii)*	(4,000)	–	–	–
Current portion of non-current loans from the Parent	(2,604)	(2,070)	–	–
Current portion of other borrowings *(iii)*	(23,922)	(22,922)	(20,732)	(15,144)
Current portion of corporate bond *(iv)*	(200,000)	–	–	–
	48,673	257,553	129,000	300,000
	1,519,468	1,190,779	893,205	925,073

The Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Current				
Bank overdrafts *(i)*	550,269	330,234	300,473	300,929
Unsecured bank loans	490,000	570,000	350,000	180,000
Current portion of non-current unsecured bank loans	200,000	8,000	93,000	129,000
Current portion of corporate bond *(iv)*	200,000	–	–	–
	1,440,269	908,234	743,473	609,929
Non-current				
Unsecured bank loans	200,000	230,000	222,000	429,000
Corporate bond *(iv)*	200,000	–	–	–
Less: Current portion of non-current unsecured bank loans	(200,000)	(8,000)	(93,000)	(129,000)
Current portion of corporate bond *(iv)*	(200,000)	–	–	–
	–	222,000	129,000	300,000
	1,440,269	1,130,234	872,473	909,929

(i) Bank overdrafts

The Group participated in a cash pooling management plan provided by Bank of Shanghai in 2014. According to the cash pooling management arrangement, the Group can overdraw bank overdrafts not exceeding the lower of granted maximum facility amounts and certain percentage of the total deposit balances of bank accounts in the cash pool, which includes deposit balance belong to the Parent. The total deposit balances of bank accounts in the cash pool were RMB815,714 thousand, RMB507,734 thousand and RMB461,580 thousand and RMB491,968 thousand while the Parent's deposit balance in the cash pool were RMB492,343 thousand, RMB464,899 thousand and RMB408,296 thousand and RMB489,978 thousand as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively. The bank overdrafts were interest bearing at an interest calculated based on the withdrawal amounts and the demand deposit interest rate plus fixed charge of 0.45%, 0.45%, 0.80% and 0.80% of granted maximum facility amounts as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

(ii) Bank loans

The bank loans of the Group carried at weighted average interest rates of 5.1%, 4.7% and 4.5% and 4.7% per annum for the years ended 31 December 2015, 2016 and 2017 and the six month period ended 30 June 2018, respectively.

(iii) Other borrowings

The balance of borrowings from Pingshan County Bureau of Finance (屏山縣財政局) was RMB7,000 thousand, RMB6,000 thousand and RMB6,000 thousand and RMB6,000 thousand as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, which has been past due since 2014. The borrowings were interest-free.

The balance of borrowings from Junlian County Bureau of Finance (筠連縣財政局) was RMB3,552 thousand as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, which has been past due since 2011. The borrowings were interest-free.

The balance of borrowings from Gong County Bureau of Finance (珙縣財政局) was RMB4,320 thousand as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively, which has been past due since 2011. The borrowings were interest-free.

The balance of borrowings from Junlian County State-owned Assets Operation Co., Ltd. (筠連縣國有資產經營管理有限公司) was RMB9,050 thousand, RMB9,050 thousand, RMB6,860 thousand and RMB1,272 thousand as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively, of which RMB6,000 thousand, RMB6,000 thousand and RMB3,810 thousand and nil carried an interest rate of 6.7% per annum while the remaining balance was interest-free. The borrowings have been past due since 2011.

(iv) Corporate bond

On 11 June 2014, the Company issued a two-year asset-backed note through interbank market to specific investors. The face value of the note is RMB200,000 thousand and carried coupon interest rate of 7.2% per annum.

(b) At 31 December 2015, 2016 and 2017 and 30 June 2018, loans and borrowings were repayable as follows:

The Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Bank loans and overdrafts				
Within 1 year or on demand	1,244,269	908,234	743,473	609,929
After 1 year but within 2 years	4,000	80,000	129,000	300,000
After 2 years but within 5 years	4,000	142,000	–	–
	1,252,269	1,130,234	872,473	909,929
Loans from the Parent and other borrowings				
Within 1 year or on demand	26,526	24,992	20,732	15,144
After 1 year but within 2 years	4,033	4,380	–	–
After 2 years but within 5 years	13,140	13,140	–	–
After 5 years	23,500	18,033	–	–
	67,199	60,545	20,732	15,144
Corporate bond				
Within 1 year or on demand	200,000	–	–	–
	200,000	–	–	–
	1,519,468	1,190,779	893,205	925,073

The Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and overdrafts				
Within 1 year or on demand	1,240,269	908,234	743,473	609,929
After 1 year but within 2 years	–	80,000	129,000	300,000
After 2 years but within 5 years	–	142,000	–	–
	1,240,269	1,130,234	872,473	909,929
Corporate bond				
Within 1 year or on demand	200,000	–	–	–
	200,000	–	–	–
	1,440,269	1,130,234	872,473	909,929

(c) At 31 December 2015, 2016 and 2017 and 30 June 2018, details of the carrying amounts of the secured assets are set out below:

The Group

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment *(note 12(b))*	3,817	–	–	–
Interests in leasehold land held for own use under operating leases *(note 13(b))*	750	–	–	–
	4,567	–	–	–

25 DEFERRED INCOME

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	179,624	181,009	172,848	166,807
Additions	8,056	643	2,123	–
Credited to profit or loss	(6,671)	(8,804)	(6,983)	(3,549)
Other decrease	–	–	(1,181)	–
At 31 December/30 June	181,009	172,848	166,807	163,258
Less: Current portion of deferred income	(6,716)	(6,754)	(6,983)	(6,997)
	174,293	166,094	159,824	156,261

Deferred income of the Group represented government grants in respect of the Group's construction of the plants and equipment for power supply.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
PRC Corporate Income Tax				
At 1 January	(6,959)	(10,741)	(4,236)	(285)
Charged to profit or loss *(note 8(a))*	(24,667)	(21,536)	(22,593)	(15,447)
Payments during the year/period	20,885	28,041	26,544	9,313
	(10,741)	(4,236)	(285)	(6,419)
Representing:				
Prepaid tax	3,464	5,261	7,768	4,968
Current tax liabilities	(14,205)	(9,497)	(8,053)	(11,387)
	(10,741)	(4,236)	(285)	(6,419)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax (assets)/deferred tax liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Impairment provisions	Depreciation allowances in excess of the related depreciation	Government grants	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	(24,365)	29,391	(624)	–	4,402
Credited to profit or loss	(5,191)	(2,397)	(2,992)	(348)	(10,928)
At 31 December 2015	(29,556)	26,994	(3,616)	(348)	(6,526)
(Credited)/charged to profit or loss	(2,023)	(1,997)	103	641	(3,276)
At 31 December 2016	(31,579)	24,997	(3,513)	293	(9,802)
(Credited)/charged to profit or loss	(2,278)	(1,461)	103	(293)	(3,929)
At 31 December 2017	(33,857)	23,536	(3,410)	–	(13,731)
Charged/(credited) to profit or loss	334	(258)	52	(836)	(708)
At 30 June 2018	(33,523)	23,278	(3,358)	(836)	(14,439)

(ii) Reconciliation to the consolidated statements of financial position:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	27,295	28,908	30,439	31,032
Net deferred tax liability recognised in the consolidated statement of financial position	(20,769)	(19,106)	(16,708)	(16,593)
	6,526	9,802	13,731	14,439

(c) Deferred tax assets not recognised

In according with accounting policy set out in note 2(q), the Group has not recognised deferred tax assets of RMB6,337 thousand, RMB8,814 thousand and RMB11,144 thousand and RMB11,637 thousand, respectively as at 31 December 2015, 2016 and 2017 and 30 June 2018 respectively in respect of unused tax losses of the Company. The directors consider it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the Relevant Periods will expire in the following years/period:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2016	3,356	–	–	–
2017	2,843	2,843	–	–
2018	3,866	3,866	3,866	3,866
2019	12,369	12,369	12,369	12,369
2020	2,914	2,914	2,914	2,914
2021	–	13,263	13,263	13,263
2022	–	–	12,163	12,163
30 June 2023	–	–	–	1,973

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the opening and the closing during the Relevant Periods are set out below:

	Note	Share capital	Capital reserve	PRC statutory reserve	Retained profits	Total
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Balance at 1 January 2015		805,558	207,990	12,109	32,855	1,058,512
Changes in equity for 2015						
Total comprehensive income for the year	*27(d)*	–	–	–	101,751	101,751
Transfer to statutory reserve	*27(d)(iii)*	–	–	8,960	(8,960)	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	(48,333)	(48,333)
Balance at 31 December 2015 and 1 January 2016		805,558	207,990	21,069	77,313	1,111,930
Changes in equity for 2016						
Total comprehensive income for the year	*27(d)*	–	–	–	98,693	98,693
Transfer to statutory reserve	*27(d)(iii)*	–	–	9,592	(9,592)	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	(64,445)	(64,445)
Balance at 31 December 2016 and 1 January 2017		805,558	207,990	30,661	101,969	1,146,178
Changes in equity for 2017						
Total comprehensive income for the year	*27(d)*	–	–	–	143,642	143,642
Transfer to statutory reserve	*27(d)(iii)*	–	–	11,681	(11,681)	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	(64,445)	(64,445)
Balance at 31 December 2017 and 1 January 2018		805,558	207,990	42,342	169,485	1,225,375

	Note	Share capital	Capital reserve	PRC statutory reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Changes in equity for the six months ended 30 June 2018						
Total comprehensive income for the period	*27(d)*	–	–	–	1,379	1,379
Transfer to statutory reserve	*27(d)(iii)*	–	–	2,955	(2,955)	–
Dividends approved in respect of the previous year	*27(b)*	–	–	–	(64,445)	(64,445)
Balance at 30 June 2018		805,558	207,990	45,297	103,464	1,162,309

(Unaudited)	Note	Share capital	Capital reserve	PRC statutory reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2017		805,558	207,990	30,661	101,969	1,146,178
Changes in equity for the six months ended 30 June 2017						
Total comprehensive income for the period	*27(d)*	–	–	–	146,248	146,248
Dividends approved in respect of the previous year	*27(b)*	–	–	–	(64,445)	(64,445)
Balance at 30 June 2017		805,558	207,990	30,661	183,772	1,227,981

(b) Dividends

(i) Dividends payable to equity shareholder of the Company attributable to the year/period:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Final dividend proposed after the end of the year/period	64,445	64,445	64,445	–	–

The final dividend proposed after the end of each of the Relevant Periods has not been recognised as a liability at the end of each of the Relevant Periods.

In March 2016, a dividend for the year ended 31 December 2015 of approximately RMB64,445 thousand, representing RMB0.08 per share was approved at the shareholders' meeting.

In May 2017, a dividend for the year ended 31 December 2016 of approximately RMB64,445 thousand, representing RMB0.08 per share was approved at the shareholders' meeting.

In May 2018, a dividend for the year ended 31 December 2017 of approximately RMB64,445 thousand, representing RMB0.08 per share was approved at the shareholders' meeting.

(ii) Dividends payable to equity shareholder of the Company attributable to the previous financial year, approved and paid during the year/period:

	Year ended 31 December			Six months ended 30 June	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year/period . . .	40,264	76,210	64,445	–	–

(c) Share capital

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Ordinary shares, issued and fully paid:				
At opening/end of the year/period	805,558	805,558	805,558	805,558

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserves of the Group mainly consisted of (1) premium arising from capital injection from equity owners of RMB285,879 thousand; (2) merger reserve decrease of RMB118,813 thousand, which was resulted from business combination in 2012 involving entities under common control; (3) reserves of RMB29 thousand due to subsidiary's purchase of own shares in 2014; and (4) negative reserve of RMB71,778 due to acquisition of additional non-controlling interest set out in note 30(f)(i).

(ii) State capital reserve benefits

State capital reserve benefits represented government funds in respect of the Group's construction and modification of rural power grid. The funds were received and allocated to the subsidiaries for construction of power supplies by the Parent. The recognition of RMB878,019 thousand as State capital reserve benefits (國有獨享資本公積) was approved by the SASAC of Sichuan Province (四川省國有資產監督管理委員會).

(iii) PRC statutory reserve

According to the PRC Company Law, the PRC subsidiaries of the Group are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital.

The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory reserve fund can be used to cover previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

(iv) Special reserve

Pursuant to the relevant PRC regulations for power companies, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety, and are not available for distribution to shareholders.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes loans and borrowings) plus unaccrued proposed dividends, less cash. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

The Group's adjusted net debt-to-capital ratio at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively was as follows:

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current loans and borrowings	1,470,795	933,226	764,205	625,073
Non-current loans and borrowings	48,673	257,553	129,000	300,000
Total debt	1,519,468	1,190,779	893,205	925,073
Add: Proposed dividends	71,757	64,445	64,445	–
Less: Cash and cash equivalents	(514,203)	(237,031)	(395,811)	(455,483)
Adjusted net debt	1,077,022	1,018,193	561,839	469,590
Total equity	2,198,378	2,053,635	2,116,800	2,147,611
Less: Proposed dividends	(71,757)	(64,445)	(64,445)	–
Adjusted capital	2,126,621	1,989,190	2,052,355	2,147,611
Adjusted net debt-to-capital ratio	50.6%	51.2%	27.4%	21.9%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposures to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets, other receivables and loans to third parties. The Group's exposure to credit risk arising from cash and cash equivalents and bills receivable is limited because the counterparties are banks, for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 30(f)(iii), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 30(f)(iii).

(i) Credit risks arising from trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2015, 2016 and 2017 and 30 June 2018, nil, nil and nil and 0.4% of the total trade receivables and contract assets were due from the Group's largest customer, and 1.6%, 0.7% and 0.9% and 11% of the total trade receivables and contract assets were due from the five largest customers, respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors with balances that are more than 6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group disaggregated the trade receivables and contract assets from power business and undertaking the electrical engineering construction projects and sales of electric equipment and materials ("EECS business") as the customers from these business shows different credit risk characteristics. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets from each business as at 31 December 2015, 2016, 2017 and 30 June 2018, respectively.

- *Power business*

As at 31 December 2015

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	80,974	(406)
6 months to 1 year (inclusive)	15%	8,773	(1,316)
1 to 2 years (inclusive)	100%	16,254	(16,239)
2 to 3 years (inclusive)	100%	7,620	(7,613)
3 to 4 years (inclusive)	100%	1,155	(1,154)
4 to 5 years (inclusive)	100%	2,100	(2,100)
Over 5 years	100%	7,353	(7,353)
		124,229	(36,181)
Individually impaired	100%	22,550	(22,550)
		146,779	(58,731)

As at 31 December 2016

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	55,564	(278)
6 months to 1 year (inclusive)	15%	1,403	(210)
1 to 2 years (inclusive)	96%	16,078	(15,397)
2 to 3 years (inclusive)	97%	15,972	(15,566)
3 to 4 years (inclusive)	99%	7,509	(7,426)
4 to 5 years (inclusive)	99%	1,155	(1,142)
Over 5 years	100%	9,349	(9,349)
		107,030	(49,368)
Individually impaired	100%	23,044	(23,044)
		130,074	(72,412)

As at 31 December 2017

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	24,824	(126)
6 months to 1 year (inclusive)	15%	2,201	(330)
1 to 2 years (inclusive)	68%	13,643	(9,336)
2 to 3 years (inclusive)	71%	15,570	(11,001)
3 to 4 years (inclusive)	74%	15,172	(11,285)
4 to 5 years (inclusive)	74%	7,506	(5,585)
Over 5 years	90%	8,647	(7,782)
		87,563	(45,445)
Individually impaired	100%	25,605	(25,605)
		113,168	(71,050)

As at 30 June 2018

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	28,412	(144)
6 months to 1 year (inclusive)	15%	20,161	(3,024)
1 to 2 years (inclusive)	68%	9,214	(6,305)
2 to 3 years (inclusive)	71%	12,209	(8,626)
3 to 4 years (inclusive)	74%	15,716	(11,690)
4 to 5 years (inclusive)	74%	6,641	(4,920)
Over 5 years	90%	6,175	(5,559)
		98,528	(40,268)
Individually impaired	100%	25,605	(25,605)
		124,133	(65,873)

- *EECS business*

As at 31 December 2015

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	68,433	(326)
6 months to 1 year (inclusive)	4%	260	(10)
1 to 2 years (inclusive)	20%	11,017	(2,203)
2 to 3 years (inclusive)	30%	8,104	(2,431)
3 to 4 years (inclusive)	60%	1,257	(754)
4 to 5 years (inclusive)	80%	328	(262)
Over 5 years	95%	518	(492)
		89,917	(6,478)

As at 31 December 2016

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	73,013	(344)
6 months to 1 year (inclusive)	4%	15,221	(609)
1 to 2 years (inclusive)	20%	7,898	(1,580)
2 to 3 years (inclusive)	30%	4,460	(1,338)
3 to 4 years (inclusive)	60%	2,798	(1,679)
4 to 5 years (inclusive)	80%	1,257	(1,006)
Over 5 years	95%	816	(776)
		105,463	(7,332)

As at 31 December 2017

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	93,109	(442)
6 months to 1 year (inclusive)	4%	33,407	(1,336)
1 to 2 years (inclusive)	20%	13,180	(2,636)
2 to 3 years (inclusive)	30%	3,188	(956)
3 to 4 years (inclusive)	60%	1,781	(1,069)
4 to 5 years (inclusive)	80%	1,466	(1,147)
Over 5 years	95%	2,038	(1,936)
		148,169	(9,522)

As at 30 June 2018

	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Within 6 months (inclusive)	0.5%	115,007	(508)
6 months to 1 year (inclusive)	4%	31,933	(1,277)
1 to 2 years (inclusive)	20%	19,480	(3,896)
2 to 3 years (inclusive)	30%	8,758	(2,627)
3 to 4 years (inclusive)	60%	1,911	(1,147)
4 to 5 years (inclusive)	80%	1,514	(1,211)
Over 5 years	95%	2,420	(2,299)
		181,023	(12,965)

Loss allowances for trade receivables and contract assets are measured at an amount equal to lifetime ECLs. ECLs on trade receivables and contract assets are estimated using a provision matrix which is based on its actual loss experience over the past 5 years as adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions with reasonable and supportable information that is available without undue cost or effort at each reporting date. At every reporting date the expected loss rate are reviewed and updated based on such analysis. Based on the provision matrix analysis, the expected loss rate remained stable during the Relevant Periods for receivables from EECS business.

Movement in the loss allowance account in respect of trade receivables and contract assets during the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	62,823	65,209	79,744	80,572
Impairment loss recognized/ (reversed)	20,940	15,601	870	(1,734)
Uncollectible amounts written-off	(18,554)	(1,066)	(42)	–
At 31 December/30 June	65,209	79,744	80,572	78,838

(ii) Credit risks arising from other receivables and loans to third parties

The Group's exposure to credit risk from other receivables and loans to third parties influenced mainly by the individual characteristics of each creditors. Loss allowances for these receivables are always measured at an amount equal to lifetime ECLs which are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Movement in the loss allowance account in respect of other receivables and loans to third parties during the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	51,464	45,071	45,132	45,484
Impairment loss recognized/ (reversed)	4,320	61	352	(493)
Uncollectible amounts written-off	(10,713)	–	–	–
At 31 December/30 June	45,071	45,132	45,484	44,991

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Meanwhile, in order to control liquidity risk, the Group held negotiation with financial institutions for enough banking facilities. The Group's banking facility was granted by several financial institutions in the PRC. As at 30 June 2018, the Group had undrawn bank facilities of RMB1,010,071 thousand.

The following tables show the remaining contractual maturities at the end of each of the Relevant Periods of the Group non-derivative financial liabilities, which are based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each of the Relevant Periods) and the earliest date the Group can be required to pay:

	As at 31 December 2015 Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables *(note 23)*	452,522	–	–	–	452,522	452,522
Loans and borrowings *(note 24)*	1,529,634	8,714	18,050	24,123	1,580,521	1,519,468
	1,982,156	8,714	18,050	24,123	2,033,043	1,971,990

	As at 31 December 2016 Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables *(note 23)*	486,936	–	–	–	486,936	486,936
Loans and borrowings *(note 24)*	952,790	90,282	182,760	20,085	1,245,917	1,190,779
	1,439,726	90,282	182,760	20,085	1,732,853	1,677,715

	As at 31 December 2017 Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables *(note 23)*	591,541	–	–	–	591,541	591,541
Loans and borrowings *(note 24)*	1,025,269	135,128	–	–	1,160,397	893,205
	1,616,810	135,128	–	–	1,751,938	1,484,746

	As at 30 June 2018 Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other payables *(note 23)*	619,792	–	–	–	619,792	619,792
Loans and borrowings *(note 24)*	646,312	311,068	–	–	957,380	925,073
	1,266,104	311,068	–	–	1,577,172	1,544,865

(c) Interest rate risk

The Group's interest rate risk arises primarily from deposits with banks and loans and borrowings bearing interest issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group defines "net borrowings" as being interest-bearing financial liabilities less interest-bearing investments. The Group's interest rate profile monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's net borrowings (as defined above) at the end of each of the Relevant Periods.

	As at 31 December 2015		As at 31 December 2016		As at 31 December 2017		As at 30 June 2018	
	Effective interest rates %	RMB'000	Effective interest rates %	RMB'000	Effective interest rates%	RMB'000	Effective interest rates %	RMB'000
Fixed rate borrowings:								
Interest-bearing loans and borrowings	5.35%~7.20%	488,001	4.35%~6.70%	276,000	4.35%~6.70%	353,810	4.35%~4.57%	180,000
Variable rate borrowings								
Interest-bearing loans and borrowings	0.87%~5.94%	1,013,545	0.90%~4.90%	897,857	1.20%~4.90%	522,473	1.20%~4.99%	729,929
Total borrowings		1,501,546		1,173,857		876,283		909,929
Fixed rate borrowings as a percentage of total borrowings		32.5%		23.5%		40.4%		19.8%

(ii) Sensitivity analysis

As at 31 December 2015, 2016 and 2017 and 30 June 2018, it is estimated that an increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB7,645 thousand, RMB6,772 thousand and RMB3,919 thousand and RMB5,474 thousand respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the each of the Relevant Periods and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each of the Relevant Periods. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each of the Relevant Periods, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis during the Relevant Periods.

(d) Fair value

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each of the Relevant Periods on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Other financial assets:				
– Financial products . . .	–	–	210,385	210,385
– Unlisted equity securities.	–	–	170	170

	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Other financial assets:				
– Financial products . . .	–	–	265,278	265,278
– Unlisted equity securities.	–	–	170	170

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Other financial assets:				
– Unlisted equity securities.	–	–	111,373	111,373

	As at 30 June 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Other financial assets:				
– Unlisted equity securities.	–	–	111,089	111,089

During the Relevant Periods. There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the each Relevant Periods in which they occur.

Information about Level 3 fair value measurements

	Other financial assets	Valuation techniques	Significant unobservable input	Range
As at 31 December				
2015	Financial products	Discounted cash flow: The valuation model considers the present value of future benefits, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate.	2.85% to 3.30%
2016	Financial products	Discounted cash flow: The valuation model considers the present value of future benefits, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate.	1.8% to 3.15%
2017	Unlisted equity securities	Discounted cash flow: The valuation model considers the present value of future benefits, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate.	12%
As at 30 June				
2018	Unlisted equity securities	Discounted cash flow: The valuation model considers the present value of future benefits, discounted using a risk-adjusted discount rate.	Risk-adjusted discount rate.	12%

The fair value of other financial assets is determined using the forecast future cashflow discounted by risk-adjusted discount rate. The fair value measurement is positively correlated to the forecast future benefit and negatively correlated to the risk-adjusted discount rate. As at 31 December 2015, 2016 and 2017 and six months ended 2017 and 2018, it is estimated that with all other variables held constant, an increase/decrease in the forecast future benefit by 10% would have increased/decreased the Group's profit by RMB272 thousand, RMB332 thousand, RMB3,495 thousand, RMB3,339 thousand (unaudited) and RMB262 thousand,a decrease in discount risk-adjusted discount rate by 1% would have increased/(decreased) the Group's profit by RMB741 thousand and RMB750 thousand, RMB1,776 thousand, RMB2,160 thousand (unaudited) and RMB(398) thousand, and an increase in risk-adjusted discount rate by 1% would have decreased/(increased) the Group's profit by RMB735 thousand, RMB746 thousand, RMB1,730 thousand, RMB2,096 thousand (unaudited) and RMB(382) thousand.

The gains arising from the remeasurement of the financial products issued by a bank and the Group's unlisted equity securities are presented in the "Other income" line item in the consolidated statement of profit or loss.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's other financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015, 2016 and 2017 and 30 June 2018, respectively.

29 COMMITMENTS

(a) Capital commitments outstanding as at 31 December 2015, 2016 and 2017 and 30 June 2018 not provided for in the Historical Financial Information were as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	19,833	16,545	48,772	31,963

(b) As at 31 December 2015, 2016 and 2017 and 30 June 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,398	1,466	1,072	1,004
After 1 year but within 5 years	2,314	1,553	388	758
After 5 years	107	104	171	140
	3,819	3,123	1,631	1,902

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties of the Group

Name of party *(i)*	**Relationship with the Group**
Sichuan Development (Holding) Co., Ltd. ("Sichuan Development Co.") 四川發展(控股)有限責任公司	Ultimate controlling company
Sichuan Province Energy Investment Group Co., Ltd. 四川省能源投資集團有限責任公司	Holding company of the Parent
Sichuan Province Hydropower Investment and Management Group Co., Ltd. ("Hydropower Group") 四川省水電投資經營集團有限公司	The Parent
Sichuan Industry Promotion and Development Investment Fund Co., Ltd. ("Sichuan Fund") 四川產業振興發展投資基金有限公司 *(ii)*	Shareholder with significant influence over the Group
Sichuan Energy Investment Material Industry Group Co., Ltd. 四川能投物資產業集團有限公司	Fellow subsidiary under the Parent ("Fellow subsidiary")
Sichuan Jinjiao Real Estate Development Co., Ltd. 四川金嬌房地產開發有限公司	Fellow subsidiary
Sichuan Province Hydropower Group Baishiji Property Management Co., Ltd. 四川省水電集團百事吉物業管理有限公司	Fellow subsidiary
Sichuan Energy Investment Construction Engineering Group Co., Ltd. ("Construction and Engineering Group") 四川能投建工集團有限公司 *(iii)*	Fellow subsidiary
Yibin Jinwei Grid Construction Co., Ltd. 宜賓金緯電網有限公司	Fellow subsidiary

Name of party *(i)*	Relationship with the Group
Zizhong Guangda Electric Engineering Co., Ltd. 資中光達電力工程有限公司	Fellow subsidiary
Sichuan Energy Investment Electricity Development Co., Ltd. 四川能投電力開發有限公司	Fellow subsidiary
Sichuan Jinding Industrial & Financial Holding Co., Ltd. ("Sichuan Jinding") 四川金鼎產融控股有限公司	Fellow subsidiary
Sichuan Jinding Industrial & Financial Equity Investment Fund Management Co., Ltd. ("Sichuan Jinding Fund Management") 四川金鼎產融股權投資基金管理有限公司	Fellow subsidiary
Sichuan Province Hydropower Investment and management Group Yibin Changyuan Electricity Co., Ltd. 四川省水電投資經營集團宜賓長源電力有限公司	Fellow subsidiary
Sichuan Province Hydropower Investment and management Group Junlian Electricity Co., Ltd. 四川省水電投資經營集團筠連電力有限公司	Fellow subsidiary
Dazhou Electricity Group Co., Ltd. 達州電力集團有限公司	Fellow subsidiary
Sichuan Volks Energy New Material Co., Ltd. 四川省眾能新材料技術開發有限公司	Fellow subsidiary
Sichuan Jinxinghe Investment Co., Ltd. ("Jinxinghe Investment") 四川金興和投資有限公司	Fellow subsidiary
Sichuan Jinhesheng Investment Co., Ltd. 四川金禾盛投資有限公司	Fellow subsidiary
Sichuan Yixu express highway development Co., Ltd 四川宜叙高速公路開發有限責任公司	Fellow subsidiary
Pingshan Jinping Real Estate Development Co., Ltd 屏山金屏房地產開發有限公司	Associate
Xuyong County Jiangmen New District Electricity Development Co., Ltd. 叙永縣江門新區電力開發有限公司	Associate
Emeishan Jinkun Micro-credit Co., Ltd. 峨眉山市金坤小額貸款有限公司	Associate
Yibin Nanxi District Jinkun Micro-credit Co., Ltd. 宜賓市南溪區金坤小額貸款有限公司	Associate
Sichuan Yibin Electricity Co., Ltd 四川宜賓電力有限公司	Associate

(i) The English translation of the entities' names is for reference only. The official names of these entities are in Chinese.

(ii) The Sichuan Fund withdraw its investment in the Company and was no longer the shareholder after October of 2016.

(iii) The Construction and Engineering Group changed its name on 9 January 2017, which was originally named Sichuan Jinwei Power Grid Construction Co., Ltd. (四川金緯電網建設有限公司) before.

(b) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Company's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Basic salaries, allowances and other benefits	3,300	3,898	6,178	1,845	2,223
Contributions to defined contribution retirement plans	161	174	342	106	224
	3,461	4,072	6,520	1,951	2,447

The above remuneration to key management personnel is included in "staff costs" (see note 7(b)).

(c) Financing arrangements

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Repayment of loans from the Parent:					
– The Parent *(i)*	(9,981)	(5,654)	(37,623)	(2,148)	–
Loans repaid by the related parties:					
– A fellow subsidiary	130,000	–	–	–	–
– An associate	–	–	–	–	1,000
Interest expense to:					
– The Parent	(3,186)	(2,210)	(1,376)	(932)	–
Interest income from:					
– A fellow subsidiary	9,419	–	–	–	–
(Advance to)/repayment of advance to:					
– The Parent	(43,071)	90,013	89,127	(174)	2,503
– An associate	2,880	–	–	–	–
– A fellow subsidiary	–	–	1,000	–	–

(i) On 1 September 2017, the Group entered into an offsetting agreement with the Parent and two related fellow subsidiaries to offset the Group's receivables due from these related parties against payables amounting to RMB75,927 thousand due to them. After the offsetting, the Group received net settlement for the remaining receivables of RMB19,274 thousand on 26 September 2017.

The Group participated in a cash pooling management plan provided by Bank of Shanghai in 2014. According to the cash pooling management arrangement, the Group can overdraw bank overdrafts up to limit of certain percentage of the total deposit balances of bank accounts in the cash pool, which includes deposit balances belong to the Parent (see note 24(a)(i)).

(d) Sales/purchase with related parties

	Year ended 31 December			Six months ended 30 June	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (unaudited)	**RMB'000**
Purchases of goods/assets from:					
– Fellow subsidiaries	898	22,369	4,060	1,637	–
– Associates	12,447	15,345	15,734	4,871	2,137
Sales of service to:					
– The Parent	10,180	52,749	20,652	–	–
– Fellow subsidiaries	9,201	31,460	95,482	49,384	17,805
Purchases of services from:					
– Fellow subsidiaries	6,323	4,712	8,196	2,363	1,892

(e) Balances with related parties

The Group

	As at 31 December			As at 30 June
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amounts due from *(note 20)*:				
Non-trade related				
Dividend receivable				
– An associate	–	–	–	6,591
Other non-trade related				
– The Parent *(i) (note 30(c)(i))*	184,898	94,885	5,758	3,255
– Fellow subsidiaries *(note 30c)(i))*	33,185	22,073	–	–
– An associate	48,563	48,563	48,563	–
Trade related				
– The Parent	347	5,417	20,623	19,826
– Fellow subsidiaries	8,121	30,781	29,400	37,698
– An associate	–	298	–	–
	275,114	202,017	104,344	67,370

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to *(note 23)*:				
Non-trade related				
Dividend payables				
– The Parent	–	–	–	31,552
– Ultimate controlling company	–	–	–	1,995
– Shareholder with significant influence over the Group	11,765	–	–	–
Other non-trade related				
– Fellow subsidiaries *(note 30(c)(i))*	8,252	8,240	–	–
– An associate *(note 16(a))*	–	–	30,000	30,000
Trade related				
– The Parent	126	71	13	–
– Fellow subsidiaries	14,764	15,721	12,648	10,888
– An associate	87	324	197	99
– Holding company of the Parent	–	–	13	–
	34,994	24,356	42,871	74,534
Loans from *(note 24)*:				
– The Parent *(ii) (note 30(c)(i))*	43,277	37,623	–	–

The Company

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from *(note 20)*:				
Non-trade related				
– A fellow subsidiary	–	–	46	–
– An associate *(iii)*	–	–	–	6,591
– Subsidiaries *(iv)*	1,020,216	915,597	839,265	802,936
Trade related				
– Subsidiaries	13,393	5,542	5,542	5,542
	1,033,609	921,139	844,853	815,069

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due to *(note 23)*:				
Non-trade related				
Dividend payables				
– *The Parent*	–	–	–	31,552
– Shareholder with significant influence over the Group	11,765	–	–	–
– Ultimate controlling company	–	–	–	1,995
Other non-trade related				
– An associate *(note 16(a))*	–	–	30,000	30,000
– Subsidiaries	34,980	216,247	343,751	322,516
Trade related				
– Fellow subsidiaries	–	2	13	–
	46,745	216,249	373,764	386,063

(i) The non-trade related amount due from the Parent mainly represented the non-trade advance to the Parent for cash central management requirement.

(ii) Loans from the Parent represented borrowings from the Parent carried at interest rates from 5.8% to 7.1% per annum and ranged from 8 to 20 years.

(iii) The non-trade related amounts due from an associate are dividends receivable for the year ended 31 December 2017, which the management expects to be settled within one year.

(iv) The non-trade related amounts due from subsidiaries mainly represented short-term interest-bearing intercompany loans, interest-free loans repayable on demand and other payments on behalf of the subsidiaries, which the management expects to be settled within one year.

(f) Other related party transactions

(i) On 20 April 2016, the Group acquired the remaining 49% non-controlling interests in Yangliutan Power Generation with the net carrying amount of RMB122,032 thousand from Jinxinghe Investment, which is a fellow subsidiary of the Group, for a cash consideration of RMB193,810 thousand with reference to an independent valuation report. The excess of the consideration over the net carrying amount of the non-controlling interests amounting to RMB71,778 thousand was charged to the capital reserve of the Group for the year ended 2016.

(ii) On 1 November 2012, the Group entered into the Construction Management Agreement with the Hydropower Group on a nil consideration basis for the management of the Rural Power Grid Construction Projects. The Group has used certain assets of the Rural Power Grid Construction Projects owned by Hydropower Group for free of charge.

(iii) Under the partnership agreement of Jinding Fund, the Company together with anther two inferior limited partners signed a guarantee agreement with the preferred limited partner of Jinding Fund to compensate against any shortfall to the required return or any losses from the investment as claimed by the preferred limited partner. Meanwhile, Sichuan Jinding, a fellow subsidiary, issued a counter guarantee to compensate the Company's losses, if any, arisen from aforementioned guarantee.

Further to the partnership agreement of Jinding Fund, the Company's losses from investment in Jinding Fund, if any, was guaranteed by Sichuan Jinding, and a minimum 8% annual yield from Jiding Fund was guaranteed by Sichuan Jinding Fund Management (a wholly owned subsidiary of Sichuan Jinding).

(g) Transactions with other government-related entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "government-related entities").

Apart from transactions mentioned above, the Group conducts a majority of its business activities with other government-related entities in the ordinary course of business. During the Relevant Periods, the Group had transactions with other government-related entities including, but not limited to purchase and sales of electricity, providing construction work services, deposits and borrowings, purchase of materials and receiving construction work services. The directors consider that the transactions with these government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-owned. The tariff of electricity is regulated by relevant government authorities. The Group prices its other services and products based on commercial negotiations. The Group has also established its pricing policies for products and services and financing policy for borrowing. Such pricing policies and financing policy do not depend on whether the counterparties are government-related entities or not. Having due regard to the substance of the relationships, the directors of the Company are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

The Group has obtained the land use rights to use certain parcels of land that are state-allocated land at nil consideration.

31 IMMEDIATE AND ULTIMATE CONTROLLING COMPANY

As at 30 June 2018, the directors consider the immediate parent and ultimate controlling party of the Group are Hydropower Group and Sichuan Development, respectively, both of which are incorporated in the PRC.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2018

Up to the date of issue of this report, the IASB has issued a few amendments and new standards which are not yet effective for the period ended 30 June 2018 and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 16, *Leases*	1 January 2019
IFRIC 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	1 January 2019
Amendments to IFRS 19, *Plan amendment, curtailment or settlement*	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
IFRS 17, *Insurance contracts*	1 January 2021
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined*

* The effective date for these amendments was deferred indefinitely. Early adoption continues to be permitted.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has not identified any aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 16, Leases

As disclosed in note 2(h), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 29(b), at 30 June 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB1,902 thousand for properties, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. Since the Group's non-cancellable operating lease commitment is not material as at 30 June 2018, the Group expected that the adoption of IFRS 16 will not have significant impact on the financial position and financial performance of the Group. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2018.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this listing document, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this listing document and the Accountants' Report set forth in Appendix I to this listing document.

A UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For illustrative purposes only, the following statement of unaudited pro forma adjusted net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is prepared to show the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 June 2018 and is based on the audited consolidated net assets derived from the consolidated financial information of the Group as at 30 June 2018 as included in the Accountants' Report as set out in Appendix I to the prospectus.

The statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 30 June 2018 or at any future dates.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as at 30 June 2018(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity Shareholders of the Company(3)	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000	RMB'000	RMB'000	RMB(4)	(HK$ equivalent)(5)
Based on an Offer Price of HK$1.76 per H Share . . .	2,137,726	378,695	2,516,421	2.34	2.64
Based on an Offer Price of HK$2.34 per H Share . . .	2,137,726	513,274	2,651,000	2.47	2.78

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2018 have been calculated based on the audited consolidated total equity attributable to equity shareholders of the Company of RMB2,142,448,000 as at 30 June 2018 after an adjustment for the intangible assets of RMB4,722,000, which are extracted from the financial information section of the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 268,800,000 H Shares to be issued at the estimated offer prices of HK$1.76 and HK$2.34 per H Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting fees and other estimated related expenses payable by us and take no account of any H shares which may be issued upon the exercise of the Over-allotment Option.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company to reflect our any trading results or other transactions entered into subsequent to 30 June 2018.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,074,357,700 Shares in issue immediately following the completion of the Global Offering assuming that the Global Offering has been completed on 30 June 2018 but taking no account of any H shares which may be issued upon the exercise of the Over-allotment Option.

(5) For illustrative purpose, the estimated net proceeds from the Global Offering are converted from the Hong Kong dollar into Renminbi at the exchange rate of HK$1.00 to RMB0.8876, the exchange rate set by PBOC prevailing on 3 December 2018. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates.

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

B INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

KPMG

TO THE DIRECTORS OF SICHUAN ENERGY INVESTMENT DEVELOPMENT CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Sichuan Energy Investment Development Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 30 June 2018 and related notes as set out in Part A of Appendix II to the prospectus dated 13 December 2018 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2018 as if the Global Offering had taken place at 30 June 2018. As part of this process, information about the Group's financial position as at 30 June 2018 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
13 December 2018

The following is a summary of certain PRC and Hong Kong tax consequences on investors relating to the ownership of H shares by an investor who purchases such H Shares in the Global Offering and holds the H shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section does not address any aspects of PRC or Hong Kong taxation other than income tax, capital tax, value-added tax ("VAT"), stamp duty and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of investing in H shares.

PRC TAXATION

Taxes Applicable to Joint-Stock Limited Companies

Enterprise Income Tax

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "EIT Law") issued on March 16, 2007, effective as of January 1, 2008 and amended on February 24, 2017, enterprises and other organizations which generate income within the PRC shall pay enterprise income tax at the rate of 25%.

Pursuant to the EIT Law, high and new technology enterprises that require government support are subject to the enterprise income tax rate of 15%. In accordance with the provisions of the Administrative Measures for Determination of High and New Technology Enterprise (《高新技術企業認定管理辦法》), the high and new technology Enterprise that assessed as "high and new technology Enterprises" under the Administrative Measures for Determination of High and New Technology Enterprise shall be entitled to the preferential taxation treatment based on the EIT Law and its Provision for Implementation, and the relevant regulations of the Law of PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and the Implementation Rules of the Law of PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法實施細則》).

Pursuant to the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Tax Policy Issues concerning Further Implementing the Western China Development Strategy (《關於深入實施西部大開發戰略有關稅收政策問題的通知》), from January 1, 2011 to December 31, 2020, the enterprise income tax on an enterprise in an encouraged industry established in western China shall be paid at the reduced rate of 15%. The aforesaid "enterprise in an encouraged industry" refers to an enterprise whose main business falls within the scope of industry projects set out in the Catalogue of Encouraged Industries in Western China and whose revenue from its main business accounts for 70% or more of its gross income.

The Conversion of Business Tax to VAT

According to the Provisional Regulations on Business Tax of The PRC (《中華人民共和國營業稅暫行條例》) in effect since January 1, 1994 and amended on November 10, 2008 and the Detailed Rules for Implementation of the Provisional Regulations of The PRC on Business Tax (《中華人民共和國營業稅暫行條例實施細則》) in effect since January 1, 1994, first amended on December 15, 2008 and latest amended on October 28, 2011, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC shall pay business tax. The tax rates applicable to corporations shall be 3% and 5%.

Pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (《營業稅改徵增值稅試點方案》) issued by the MOF and the SAT and in effect on November 16, 2011, effective from January 1, 2012, the State started the taxation reform of collecting VAT in lieu of business tax in certain regions (including Shanghai and Beijing) and in certain industries (including transportation and certain modern service industries) on a trial basis. The SAT further issued the Announcement of the State Administration of Taxation of Issues Concerning Administration on Nationwide Pilot Collection of Value-Added Tax in Lieu of Business Tax (國家稅務總局關於在全國開展營業稅改徵增值稅試點有關徵收管理問題的公告) on July 10, 2013 and implemented on August 1, 2013 for the purpose of smooth implementation of the pilot reform for the collection of value-added tax in lieu of business tax. According to the Circular of the MOF and the SAT on Overall Implementation of the Pilot Scheme for Converting Business Tax to VAT (《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》) (Cai Shui [2016] No. 36) promulgated by the MOF and the SAT on March 23, 2016 and effective on May 1, 2016, the pilot scheme for the conversion of business tax to VAT shall be implemented nationwide and all business tax payers shall be included in the scope of the pilot scheme and pay valued-added tax instead of business tax.

According to the Provisional Regulations on VAT of the PRC (《中華人民共和國增值稅暫行條例》) in effect since January 1, 1994 and amended on November 10, 2008, February 6, 2016 and November 19, 2017, the Detailed Rules for Implementation of the Provisional Regulations of the PRC on VAT (《中華人民共和國增值稅暫行條例實施細則》) in effect since January 1, 1994 and first amended on December 15, 2008, latest amended on October 28, 2011, and the Circular of the MOF and the SAT on Overall Implementation of the Pilot Scheme for Converting Business Tax to VAT (Cai Shui [2016] No. 36) promulgated by the MOF and the SAT on March 23, 2016 and effective on May 1, 2016, all institutions and individuals selling goods or importing goods, providing taxable services and incurring taxable activities within the PRC shall pay VAT.

The tax rate applicable to corporations selling or importing goods as general taxpayers and corporations providing taxable services shall be 17% and 6%, respectively.

According to the Notice of the MOF and the SAT on VAT and Consumption Tax Policies for Exported Goods and Labour Services (《關於出口貨物勞務增值稅和消費稅政策的通知》) (Cai Shui [2012] No. 39) issued by the MOF and the SAT on May 25, 2012, effective from January 1, 2011, the policy of "exempt, credit, refund" applies to the VAT of exported goods.

Urban Maintenance and Construction Tax as well as Education Surtax

Pursuant to the Tentative Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》), which was promulgated by the State Council on February 8, 1985 and came into effect on January 1, 1985, and amended on January 8, 2011, and the Circular of the SAT on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務總局關於城市維護建設稅徵收問題的通知》), which was promulgated by the SAT and implemented on March 12, 1994, any unit or individual liable to consumption tax, value-added tax and business tax shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax, value-added tax and business tax which a taxpayer actually pays and shall be made simultaneously when the latter are paid. Furthermore, the rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

In accordance with the Tentative Provisions on the Collection of Educational Surtax (《徵收教育費附加的暫行規定》), which was promulgated by the State Council on April 28, 1986 and implemented on July 1, 1986 and last revised on January 8, 2011, all units and individuals who pay consumption tax, value-added tax and business tax shall also be required to pay educational surtax in accordance with these Provisions. The educational surtax rate is 3% of the amount of value-added tax, business tax and consumption tax actually paid by each unit or individual, and the educational surtax shall be paid simultaneously with value-added tax, business tax and consumption tax.

Stamp Duty

According to the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例》) effective since August 6, 1988 and amended on January 8, 2011 and the Detailed Rules for Implementation of the Provisional Regulations of the PRC on Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) brought into effect on September 29, 1988, all institutions and individuals executing or receiving taxable documents within the PRC shall pay stamp duty. The list of taxable documents includes purchase and sale contracts, processing contracts, construction project contracts, property lease contracts, cargo freight contracts, warehousing and storage contracts, loan contracts, property insurance contracts, technical contracts, other documents that resemble contracts in nature, title transfer deeds, business account books, certificates of rights and licenses, and other taxable documents specified by the MOF.

TAXES APPLICABLE TO SHAREHOLDERS OF COMPANIES

Taxation on Dividends

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "Individual Income Tax Law") brought into effect on September 10, 1980, the latest amendment of which was made on August 31, 2018 and will become effective on January 1, 2019, dividends paid to individuals by PRC companies are generally subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, his/her receipt of dividends from a PRC company is normally subject to PRC withholding tax of 20% unless specifically exempted by the taxation authority of the State Council or exempted or reduced by an applicable tax treaty.

In accordance with the Notification of the MOF, the State Administration of Taxation and the CSRC on the Issues Concerning Differential Personal Income Tax Policies for Dividends of Listed Companies (《財政部、國家稅務總局、證監會關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) issued on September 7, 2015 and effective since September 8, 2015, for the listed companies' shares obtained by individuals from public issue and transfer market, where the holding period is more than one year, the income from dividend may be temporarily exempted from personal income tax; for the listed companies' shares obtained by individuals from public issue and transfer market, where the share holding period is within one month (including one month), the full amount of income from dividends shall be taken into the amount of taxable income; where the holding period is from one month to one year (including one year), the income from dividends shall be 50% taken into the amount of taxable income. For the above-mentioned income, personal income tax shall be uniformly calculated and levied as per 20% tax rate.

Pursuant to the provisions of the Notification of the SAT on the Issues Concerning the Levying and Management of Personal Income Tax after Cancellation of Guo Shui Fa [1993] No. 045 Archives (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) effective on June 28, 2011, foreign resident individual investors are entitled to enjoy the relevant preferential tax treatments in accordance with the tax treaty entered into between their respective countries and the PRC and the tax arrangements between mainland China and Hong Kong (Macao) for public offer by non-foreign invested PRC enterprises in Hong Kong. Generally, the PRC individual income tax at the rate of 10% is applicable to dividends paid by a non-foreign invested PRC enterprise (the "Relevant Non-foreign Invested PRC Enterprise") to foreign individual investors (the "Relevant Individual Investors") holding shares publicly offered by the Relevant Non-foreign PRC Enterprise in Hong Kong and no application for approval from the taxation authority in the PRC is required. In case the 10% tax rate is not applicable, the Relevant Non-foreign Invested PRC Enterprise shall: (i) apply on behalf of the investors to seek entitlement of the preferential tax treatment for lower tax rates if the countries of the Relevant Individual Investors have entered into income tax treaties with the PRC with tax rates lower than 10%, and arrange for refund of over payment upon approval by the tax authority; (ii) withhold the tax at such rates as agreed if the countries of the Relevant Individual Investors have entered into income tax treaties with the PRC with tax rates higher than 10% but lower than 20%, and no application is required; (iii) withhold the tax at the rate of 20% if the countries of the Relevant Individual Investors have not entered into any taxation treaties with the PRC or otherwise.

Enterprises

In accordance with the EIT Law amended and effective on February 24, 2017, and the Regulations on the Implementation of EIT Law of the PRC (《企業所得稅法實施條例》) effective on January 1, 2008, a non-PRC resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends received from a PRC resident enterprise whose shares are issued and listed in Hong Kong, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such withholding income tax may be reduced or eliminated under an applicable treaty for the avoidance of double taxation. The aforesaid income tax payable by non-PRC resident enterprises shall be withheld at source, with the payer of the income being the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the amount due and payable.

The Circular of the SAT on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897), which was issued by the SAT and became effective on November 6, 2008, further clarified that a PRC resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to dividend paid out of profit generated since January 1, 2008. A non-PRC resident enterprise shareholder who is entitled to a preferential tax rate under an applicable tax treaty or arrangement may, by itself or through its agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

Pursuant to the Arrangement between the Mainland 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 (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (Guo Shui Han [2006] No. 884) signed between mainland China and Hong Kong on income tax matters on August 21, 2006, the PRC government may impose tax on dividends payable by a PRC company to Hong Kong residents (including natural persons and legal entities) subject to a maximum of 10% of the gross amount of dividends payable, or 5% for Hong Kong residents holding 25% or more of equity interest in such PRC company.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties with the PRC for the avoidance of double taxation or residing in Hong Kong or Macau are entitled to preferential treatment of withholding income tax on dividends to investors by PRC companies.

The PRC has entered into arrangement for the avoidance of double taxation with Hong Kong and Macau respectively and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to, Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, the United Kingdom and the United States. A non-PRC resident enterprise entitled to a preferential tax rate under a relevant income tax treaty or arrangement must apply to PRC tax authorities for refund of the difference between the amounts of income tax withheld and the tax computed based on the treaty rate.

Taxation on Share Transfer

Individual Investors

In accordance with the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), individuals are subject to individual income tax at the rate of 20% on gains from sales of equity interests in PRC resident enterprises. Under the Circular of the MOF and the SAT on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, effective from January 1, 1997, gains of individuals from transfer of shares of listed enterprises continues to be exempted from individual income tax. In the Individual Income Tax Law of the PRC and the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China, the SAT has not explicitly stated whether it will continue to exempt individuals from income tax on income derived from transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which provides that such individuals' income from transfer of shares of listed companies on particular domestic exchange shall continue to be exempted from individual income tax, except for the shares of certain specified companies which are subject to sales limitation (as defined in the supplementary notice of such Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that non-PRC resident individuals are subject to individual income tax for sales of shares of PRC resident enterprises listed on overseas stock exchanges. In actual operation, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from sales of shares of PRC resident enterprises listed on overseas stock exchanges.

Enterprises

In accordance with the EIT Law and the Regulations on the Implementation of EIT Law of the PRC, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 10% with respect to PRC-sourced income, including gains derived from the disposal of shares in a PRC resident enterprise, if such non-PRC resident enterprise does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

PRC Stamp Duty

PRC stamp duty imposed on the transfer of shares of PRC publicly-traded companies shall not apply to non-PRC investors of H Shares outside of the PRC by virtue of the Provisional Regulations of the PRC on Stamp Duty and the Detailed Rules for Implementation of the Provisional Regulations of the PRC on Stamp Duty effective on October 1, 1988 and which provide that PRC stamp duty is imposed only on documents executed or received within the PRC that are legally binding in the PRC and are protected under the PRC law.

Tax Policies for Shenzhen-Hong Kong Stock Connect

On November 25, 2016, CSRC and SFC granted their approvals to Shenzhen Stock Exchange, the Hong Kong Stock Exchange, China Securities Depository and Clearing Company Limited ("CSDC") and HKSCC for formal launch of the Shenzhen-Hong Kong Stock Connect. Trading in shares under the Shenzhen-Hong Kong Stock Connect kicked off on December 5, 2016. Pursuant to the Notice on Tax Policies for Shenzhen-Hong Kong Stock Connect Pilot Program (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》):

From December 5, 2016 to December 4, 2019, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are temporarily exempt from individual income tax. Gains on price difference from transfer of shares derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are credited to their total income and subject to enterprise income tax in accordance with laws. Dividends derived by mainland individual investors through investment into H shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to 20% of withholding individual income tax by H shares companies. Individual investors, who have paid withholding taxes overseas, can apply to competent taxation authorities under CSDC for tax credit with effective taxation certificates. Dividends derived by mainland securities investment funds through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to individual income tax pursuant to provisions above.

Gains on dividends derived by mainland corporate investors through investment into shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are credited to their total income and subject to enterprise income tax in accordance with laws. Among them, dividends derived by mainland resident enterprises for holding H shares up to 12 consecutive months are exempt from enterprise income tax in accordance with laws. For such dividends derived by mainland enterprises, there will be no withholding tax on dividends payable by H shares companies, and these enterprises are liable for tax reporting and payment. For the withholding tax on dividends payable by companies of non-H shares listed on the Hong Kong Stock Exchange, mainland corporate investors can apply for tax credit when reporting and paying enterprise income tax.

Mainland investors, who deal with, inherit, and are bestowed upon with shares listed on the Hong Kong Stock Exchange via the Shenzhen-Hong Kong Stock Connect are subject to stamp duties in accordance with current taxation requirements in the Hong Kong Special Administrative Region. China Securities Depository and Clearing Company Limited and Hong Kong Securities Clearing Company Limited are authorized to levy stamp duties above on behalf of each other.

Estate Duty or Inheritance Tax

There is no estate duty or inheritance tax levied in China at present.

PRC Laws and Regulations Concerning Foreign Exchange Control

The lawful currency of the PRC is Renminbi, which is still subject to foreign exchange control and is not freely exchangeable. The State Administration of Foreign Exchange ("SAFE"), under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on the Control of Foreign Exchange (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996, became effective on April 1, 1996 and was amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that State Administration Of Foreign Exchange (the "SAFE") shall specify the conditions for transfer to PRC or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or sale of valuable securities or derivative products overseas shall register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with other competent authority shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) which became effective on July 1, 1996. The Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange abolished all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On July 21, 2005, the PBOC announced that, effective on the same date, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the interbank foreign exchange market on each business day after the closing of the market, and will fix the central parity for the transaction of such foreign currency against Renminbi on the following trading day.

Since January 4, 2006, the PBOC improved the method of generating the central parity for quoting the Renminbi exchange rate by introducing an enquiry system while keeping the match-making system in the interbank foreign exchange spot market. In addition, the liquidity of the foreign exchange market was also improved by adopting a market-making system in the interbank foreign exchange market.

On August 5, 2008, the State Council promulgated the amended Foreign Exchange Control Regulations, which provided that all foreign exchange income of current account items may be either retained or sold to financial institutions engaging in foreign exchange settlement or sales business; where any foreign exchange income of capital account items shall be retained or sold to financial institutions engaging in foreign exchange settlement and sales business, approval shall be obtained from the relevant foreign exchange administrative authority unless it is exempted under PRC laws. PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items may, without approval of the SAFE, effect payment from their foreign exchange accounts at designated foreign exchange banks with the support of valid receipts and proof.

The Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters (《國務院關於取消和調整一批行政審批項目等事項的決定》), which was issued and became effective on October 23, 2014, has cancelled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Management of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, a domestic enterprise shall register its overseas listing with the local branch of the SAFE at the place of its incorporation within 15 working days after the completion of offering of shares for its overseas listing. The proceeds from overseas listing of a domestic enterprise may be remitted to the domestic account or deposited in an overseas account. The proceeds shall be used in accordance with the prospectus and other public disclosure documents.

This appendix sets forth summaries of certain aspects of legal system and laws and regulations which are relevant to the place of incorporation of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange". This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain major differences between PRC and Hong Kong company laws, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) and is composed of laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Judicial decisions do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the PRC Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC formulates and amends basic laws governing criminal and civil matters, state organs and other matters. The Standing Committee of the NPC formulates and amends other laws other than those required to be enacted by the NPC and supplements and amends any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments shall be not in conflict with the basic principles of such laws.

The State Council is the highest administrative authority of the PRC and has the power to formulate administrative regulations based on the Constitution and laws. The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual demands of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The people's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned.

The ministries and commissions of the State Council, the People's Bank of China, the Audit Office, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based the laws, administrative regulations and local regulations of such provinces and autonomous regions and municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations and separate regulations and rules may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities divided into districts within the administrative areas of the provinces and the autonomous prefectures.

The NPC has the power to alter or annul inappropriate laws enacted by its Standing Committee, and to annul autonomous regulations and separate regulations which have been approved by its Standing Committee and which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul administrative regulations that contravene the Constitution and laws, to annul local regulations that contravene the Constitution, laws and administrative regulations, and to annul autonomous regulations or separate regulations which have been approved by the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government and which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul inappropriate rules and regulations of departments and rules of local governments. The people's congresses of provinces, autonomous regions and municipalities directly under the Central Government have the power to alter or annul inappropriate local regulations enacted and approved by their respective standing committees. The standing committees of the local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul inappropriate rules enacted by the people's governments at a lower level.

According to the PRC Constitution and the Legislation Law of the PRC, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Resolutions of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, all laws or legal provisions that need to be further defined or supplemented shall be interpreted by the Standing Committee of the NPC or regulated in decrees. Interpretation of questions involving the specific application of laws and decrees in court trials shall be provided by the Supreme People's Court. Interpretation of questions involving the specific application of laws and decrees in the procuratorial work of the procuratorates shall be provided by the Supreme People's Procuratorate. If the interpretations provided by the Supreme People's Court and the Supreme People's Procuratorate are at variance with each other in principle, they shall be submitted to the Standing Committee of the NPC for interpretation or decision. Interpretation of questions involving the specific application of laws and decrees in areas unrelated to judicial and procuratorial work shall be provided by the State Council and competent authorities. In case where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities directly under the Central Government which have enacted these regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent authorities under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government.

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is composed of the Supreme People's Court, the local People's Courts, military courts and other special People's Courts.

The local People's Courts are composed of the primary People's Courts, the intermediate People's Courts and the higher People's Courts. The primary People's Courts may organize criminal division, civil division and economic division. The intermediate People's Courts, the higher People's Courts and the primary People's Courts have similar divisions, and can set up other tribunals when necessary.

The People's Court at a higher level shall supervise the judicial work carried out by the People's Court at a lower level. The Supreme People's Court is the highest judicial body in the PRC which is empowered to supervise the judicial work of the People's Courts at all levels. The people's procuratorate shall also be entitled to exercise supervision rights over the judicial activities done by the People's Court.

The People's Courts implement a two-tier appellate system. A party may appeal against a judgment or ruling of a local People's Court to the People's Court at the next higher level. Second judgments or rulings given at the next higher level are final. First judgments or rulings of the Supreme People's Court are also final. However, if the Supreme People's Court or a People's Court at a higher level finds an error in a legally effective judgment which has been given in any People's Court at a lower level, or the president of the People's Court finds an error in a legally effective judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), which was promulgated in 1991 and amended in 2007, 2012 and 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the People's 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 PRC Civil Procedure Law. Generally, a civil case is heard by a People's Court of the place in which the defendant resides. The parties to a contract may, by written agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either within the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or within the place of the object of the action and other place which has actual connection with the dispute, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should the courts of a foreign country limits the civil litigation rights of PRC citizens, legal persons or other organizations, the PRC courts may apply the same limitations to the citizens, enterprises and organizations of that foreign country. If any party refuses to comply with a judgment or ruling made by a People's Court or an award made by an arbitration panel, the other party may apply to the People's Court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement.

Where a party applies for enforcement of a legally effective judgment or order made by a People's Court or a legally effective judgment made by a foreign affairs arbitration organ in China, and the opposite party or his/her property is not within the territory of the PRC, the party concerned may directly apply to a competent foreign court with proper jurisdiction for recognition and enforcement. If a legally effective judgment or order made by a foreign court requires recognition and enforcement by a People's Court of the PRC, the party concerned may directly apply to the intermediate People's Court of the PRC with proper jurisdiction for recognition and enforcement, or the foreign court concerned may request a People's Court for recognition and enforcement in accordance with the provisions of the international treaties entered into or acceded to by the PRC or under the principle of reciprocity. Upon the examination, the People's Court shall recognize the validity of the judgment or order if it considers that it will not contravene the basic principles of the laws of the PRC nor violates national sovereignty, security or social and public interests; if enforcement is required, a writ of enforcement will be issued. If the judgment or order contravenes the basic principles of the laws of the PRC or violates national sovereignty, security or social and public interests, it shall not be recognized and enforced.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the PRC Company Law (《中國公司法》), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively and the latest revision of which was implemented on October 26, 2018;

- the Special Regulations (《特別規定》), which were promulgated by the State Council on August 4, 1994 pursuant to the relevant provisions of the PRC Company Law, and are applicable to the overseas share subscription and listing of joint stock limited companies; and

- the Mandatory Provisions (《必備條款》), which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in "Appendix VII-Summary of Articles of Association". Set out below is a summary of the provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

Establishment

A joint stock limited company may be established by promotion or subscription. A joint stock limited company may be established by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. Companies established by promotion are companies with the total number of shares entirely subscribed for by the promoters. Where companies are established by subscription, the promoters are required to subscribe for part of the total number of shares of a company, and the remaining shares can be offered to the public or specific persons. If companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and administrative regulations.

According to the PRC Securities Law (《中國證券法》), the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters of a joint stock limited company must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before convening the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing more than half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the company registration authority for registration of the establishment of the joint stock limited company. A company is formally established and has the status of a legal person once the business license has been issued by the relevant company registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of liabilities and expenses incurred in the incorporation process jointly and severally if the company cannot be established; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be established; and (iii) damages suffered by the company as a result of the default of the promoters in the course of establishment of the company.

Issue of Shares

All issuance of shares shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued by a company to the domestic investors which are subscribed in RMB shall be referred to as domestic investment shares. Shares issued by a company to the overseas investors which are subscribed in foreign currency shall be referred to as foreign investment shares. Foreign investment shares that are listed abroad shall be referred to as overseas listed foreign shares. Upon approval of the CSRC, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. Pursuant to the Special Regulations, overseas listed and foreign invested shares shall be issued in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Increase of Share Capital

According to the PRC Company Law, when a joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the date and deadline of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When a company launches a public issuance of new shares with the approval of the CSRC, it shall publish a new prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the resolution approving the reduction of registered capital shall be passed by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;
- creditors may be entitled to require the company to pay off its debts or provide corresponding guarantees covering the debts within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received; and
- it shall apply to the relevant industry and commerce administration for the alteration registration of the reduction in registered capital.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; (iv) to repurchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting; (v) to purchase its shares which are used to convert corporate bonds issued by a listed company that can be converted into shares; and (vi) to maintain a listed company's corporate value and shareholders' equity interest. The purchase of shares on the grounds set out in (i) to (ii) above shall be approved by a resolution passed by the shareholders' general meeting, and on the grounds set out in (iii), (v) and (iv) above shall be approved by a resolution of the board meeting with more than two thirds of directors present, according to the Articles of Associations or upon authorization by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be cancelled within ten days from the date of purchase in the case of (i) above or transferred or cancelled within six months in the case of (ii) or (iv) above.

Shares acquired in accordance with (iii), (v) and (vi) above shall not exceed 10% of the total number of the company's issued shares and the relevant shares shall be transferred or cancelled within three years of the purchase.

A joint stock limited company may not accept the shares of the Company as subject of pledge right.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders of a joint stock limited company shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No registration of changes in the share register caused by transfer of registered shares shall be carried out within twenty days prior to the convening of shareholders' general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on registration of changes in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no registration of changes in the share register caused by transfer of shares shall be carried out within thirty days prior to convening of shareholders' general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares held by a promoter may not be transferred within one year after the company's establishment. Shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from the company. The articles of association may have other restrictions on the transfer of shares held by the directors, supervisors and senior managers.

Amendment of the Articles of Association

According to the PRC Company Law, the company may amend its articles of association according to the laws, administrative regulations and provisions of the articles of association. Shareholders' general meeting exercises the power to amend the joint stock limited company's articles of association. The resolution of a shareholders' general meeting regarding any amendment to the company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders present at the meeting. The board of directors is responsible to the shareholders' general meeting and exercises power including formulating the proposed amendments to the company's articles of association. According to the Mandatory Provisions, the amendment of the articles of association involving the contents of the Mandatory Regulations will only be effective upon approval of the company examination and approval authority authorized by the State Council and of the CSRC. It must complete the registration of changes involving matters of the company registration in accordance with laws. The Special Regulations requires that the company must not modify or delete those provisions in the articles of association related to the mandatory provisions of the articles of association without authorization.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoils of company debentures, minutes of shareholders' general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the supervisory committee and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action before the People's Court to rescind resolutions passed by shareholders' general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of surplus assets of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription amount in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares, not to abuse rights of shareholders to the detriment of the interest of the company or other shareholders and not to abuse the Company's independent legal person status and limited liability of the shareholders to the detriment of the interest of the company's creditors, and any other shareholders' obligations specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the joint stock limited company, which exercises its power in accordance with the PRC Company Law. Under the PRC Company Law, the shareholders' general meeting exercises the following principal power:

- to decide on the company's operational policies and investment plans;
- to elect and change the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the supervisory committee;
- to examine and approve the company's proposed annual financial budget and final accounts;
- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issuance of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an interim shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;

- the aggregate losses of the company which are not recovered reach one-third of the company's total paid up share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request;
- whenever the board of directors deems necessary;
- when the supervisory committee so proposes; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or does not perform his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or does not perform its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for more than 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholders' general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice in writing shall be delivered to all the registered shareholders 45 days in advance of the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholders' general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. Otherwise, the company shall, within five days, notify the shareholders again of the matters to be considered and date and venue of the meeting to shareholders by public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholders' general meeting, shareholders holding 5% or above of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholders' general meeting shall be placed on the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and/or the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issuance of any types of shares, warrants or other similar securities; (iv) the issuance of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; and (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected upon the expiry of his term of office. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors in his term of office results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following power:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed at shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- making decisions on the establishment of the Company's internal management bodies;
- to decide on the appointment or dismissal of company managers and their remuneration, and decide on the appointment or dismissal of deputy managers and person-in-charge of finance of the company based on the nomination by the managers as well as their remuneration;
- to formulate the company's basic management system; and
- any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or does not perform his duties, the duties shall be performed by the vice chairman on his behalf. In the event that the vice chairman is incapable of performing or does not perform his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director of a company:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of corruption, bribery, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; and

- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Supervisory Committee

A joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company, the proportion of representatives of the employees shall not be less than one third of the supervisors. The specific proportion shall be stipulated in the articles of association. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or does not perform his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or does not perform his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors in their term of office results in the number of supervisors being less than the quorum.

The supervisory committee exercises the following power:

- to review the company's financial condition;

- to supervise the directors and senior management in the performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders;

- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;

- to propose the convening of interim shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meetings;

- to initiate proposals for resolutions to shareholders' general meetings;
- to initiate proceedings against directors and senior management; and
- other power specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of matters in board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall be responsible to the board of directors and may exercise the following power:

- to preside over the business operations and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to draw up the plan for the establishment of the Company's internal management bodies;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;
- to appoint or dismiss other officers in charge (other than those required to be appointed or dismissed by the board of directors); and
- other powers conferred by the board of directors or the articles of association.

The manager shall also comply with other provisions of the articles of association concerning his power. The manager shall attend board meetings.

According to the PRC Company Law, senior management refers to the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

According to the PRC Company Law, Directors, supervisors and senior management of the company shall comply with the relevant laws, regulations and the articles of association, and have the faithful and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their power to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management of the company are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets without authorization in violation of the articles of association or without approval of the shareholders' general meeting or board of directors;
- entering into contracts or dealing with the company in violation of the articles of association or without approval of the shareholders' general meeting;
- using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without consent of the shareholders' general meeting;
- accepting and possessing commissions paid in transaction conducted between a third party and the company;
- unauthorized divulgence of secret of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management official who contravenes any law, regulation or the provisions of the articles of association in the performance of his duties resulting in any loss to the company shall be liable for compensating the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each accounting year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the joint stock limited company's financial and accounting reports shall be available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. A joint stock limited company publicly issuing shares must also publish its financial and accounting reports.

When distributing the year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the aggregate amount of fund has reached 50% of its registered capital's amount).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit. The premium received through issuance of shares at issuing prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, accounting books, financial and accounting reports and other accounting data to the accounting firm it engages without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall engage an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from its appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the capital reserve fund is provided. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive dividends and other distributions payable in respect of their overseas listed and foreign invested shares on behalf of such shareholders.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following:

(i) the term of its operations provided in the articles of association has expired or other causes of dissolution provided in the articles of association have occurred; (ii) the shareholders' general meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked according to the laws; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the People's Court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders' interests. In the event of (i) above, the company may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of such event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors of the company may apply to the People's Court, requesting the court to appoint relevant personnel to form the liquidation group. The People's Court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following power during the liquidation period:

- to dispose the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or the People's Court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before payments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to pay off its liabilities, it must apply to the People's Court for a declaration of bankruptcy according to relevant laws.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the People's Court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the People's Court for verification. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of the company's termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abusing their power to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company or its creditors in respect of their losses arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed foreign shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issuance within 15 months after obtaining the approval from the CSRC.

Loss of Share Certificates

If a registered share certificate is stolen, lost or destroyed, the shareholder may apply, in accordance with the procedure for publicizing public notice provided in the PRC Civil Procedure Law, to a People's Court for a declaration that such certificate will no longer be valid. After the People's Court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

Merger and Demerger

According to the PRC Company Law, merger of the Company may be exercised by way of merger or consolidation. In the case of a merger, one company absorbs another company and the company that has been absorbed is dissolved; in the case of a consolidation, two or more companies combine to establish a new company, and the existing companies are dissolved.

For corporate merger, all parties to the merger shall enter into a merger agreement and prepare balance sheets and checklists of assets. The companies involved shall, within ten days after the decision of merger, notify the creditors, and shall make a newspaper announcement within 30 days. The creditors may, within 30 days after the receipt of the notice or (if it fails to receive a notice) within 45 days after the announcement, require the company to settle its debts or to provide guarantees. Upon the merger, the credits and debts of the companies involved shall be succeeded by the surviving company or by the newly established company.

For division of a company, the property of the company shall be divided properly, and balance sheets and checklists of assets shall be prepared. The company shall, within ten days after the decision of division, notify the creditors and make a newspaper announcement within 30 days. The companies after division shall jointly bear liabilities for the debts of the former companies before division, unless it is otherwise prescribed by written agreements entered into between the companies and their respective creditors for the settlement of debts before the division.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

Under Hong Kong law, the company may be wound up by the court if the court considers that it is just and equitable to do so, in addition, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations relating to the issue and trading of shares and disclosure of information of the joint stock limited company. The PRC Securities Law took effect on July 1, 1999 and was last revised on August 31, 2014. It is currently undergoing a new round of revisions. The PRC Securities Law is the first national securities law in the PRC, and comprehensively regulates activities in the PRC securities market. It is divided into 12 chapters and 240 articles regulating, among other things, the issuance and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. Article 238 of the PRC Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's securities regulatory authorities to list its shares outside the PRC. Currently, the issuance and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

Suspension and Termination of Listing

Under the PRC Securities Law, a listed company may have its listing suspended by the stock exchange if any of the following events shall occur: (1) the total share capital and the distribution of share ownership have been altered to make the company no longer satisfy the requirements necessary for listing; (2) the company has failed to make public its financial situation in compliance with the legal provisions or has falsified its financial accounting statements which lead to misleading to the shareholders; (3) the company is involved in major illegal acts; (4) the company has incurred losses for the past three consecutive years; or (5) any other events prescribed in the listing rules of the stock exchange.

Under the PRC Securities Law, a listed company may have its listing terminated by the stock exchange if any of the following events shall occur: (1) the total share capital and the distribution of share ownership have been altered to make the company no longer satisfy the requirements necessary for listing, and failure to fulfil the requirements within the prescribed time of the stock exchange; (2) the company has failed to make public its financial situation in compliance with the legal provisions or has falsified its financial accounting statements and rejected to make correction; (3) the company has incurred losses for the past three consecutive years and failed to make profit in the subsequent year; (4) the dissolution or declaration of the bankruptcy of the company according to law; or (5) any other events prescribed in the listing rules of the stock exchange.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The PRC Arbitration Law (《中華人民共和國仲裁法》) passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009. Under the PRC Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the People's Court will refuse to accept the case except when the arbitration agreement is declared invalid.

The Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer to the effect that whenever any disputes or claims arise (i) between holders of H Shares and the issuer; (ii) between holders of H Shares and the issuer's directors, supervisors, managers or other senior management officials; and (iii) between holders of H Shares and holders of domestic shares, such disputes shall be resolved through arbitration. Matters in arbitration include any disputes or claims of rights in relation to the issuer's affairs as a result of any rights or obligations arising under its articles of association, the PRC Company Law and other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim of rights or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim of rights or whose participation is necessary for the resolution of such dispute or claim of rights, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its rules or the Hong Kong International Arbitration Center (the "HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim of rights to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on November 4, 2014 and implemented on January 1, 2015, the China International Economic and Trade Arbitration Commission shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The China International Economic and Trade Arbitration Commission is located in Beijing and it has set up several branches or centers such as in Shenzhen, Shanghai, Tianjin, Chongqing, Wuhan, Hangzhou and Hong Kong.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an arbitral award, the other party may apply to the People's Court for enforcement. A People's Court shall order the cancellation of an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or exceeds the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the New York Convention (《紐約公約》) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the New York Convention in the PRC that (i) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state on the principle of reciprocity; and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

Agreement has been reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by the Mainland arbitral authorities acknowledged by Hong Kong arbitration rules can be enforced in Hong Kong, and Hong Kong arbitral awards are also enforceable in the Mainland.

OVERSEAS DIRECT INVESTMENT REGULATIONS

Pursuant to the Regulations on the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM which became effective on October 6, 2014, enterprises shall obtain approval from or register with the commerce authorities for conducting overseas investment according to such regulations. The approval management will be applied where the enterprise overseas investments involving in sensitive countries and regions as well as sensitive sectors. The filing management will be applied in other cases of enterprise overseas investments.

Pursuant to Regulations on Foreign Exchange Administration of Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the State Administration of Foreign Exchange (the "SAFE") which became effective on August 1, 2009, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments. According to the SAFE Notice promulgated by the SAFE, which came into effect on June 1, 2015, the administrative approval for foreign exchange registration approval under overseas direct investment has been cancelled, and the banks are entitled to review and carry out foreign exchange registration under overseas direct investment directly. SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

In accordance with the Administrative Measures for Verification and Registration of Overseas Investment Projects (《境外投資項目核准和備案管理辦法》) amended by the NDRC and took effect on December 27, 2014, overseas investment projects involving sensitive countries and regions or sensitive industries shall be examined and approved by the NDRC. Overseas investments of US$2 billion or above by Chinese investors are subject to the approval of the State Council after being examined by the NDRC. Other overseas investment projects shall be subject to filing administration.

Set out herein is a summary of the Articles of Association, the principal objective of which is to provide potential investors with an overview of the Articles of Association. Since this is a summary, it may not contain all the information that is important to potential investors.

Scope of Business

The scope of business of the Company covers: development and construction and operation and management of energy projects; development and construction and operation and management of power grids and power sources; production and sales of power products; research and development and consulting services of new energy technologies; installation, adjustment and maintenance of electric equipment and inspection of electrical equipment and material sales (excluding the state-run trade management goods, the application shall be made in accordance with relevant regulations of the PRC for the goods subject to quota and license management).

SHARES

Shares and Registered Capital

The stock of the Company shall take the form of shares. The Company shall have ordinary shares at all times. The ordinary shares issued by the Company include domestic shares and foreign shares. If required, upon approval by the company examination and approval authorities delegated by the State Council, the Company may create shares of other classes, subject to the requirements of the laws and administrative regulations.

The Company shall issue shares under the principles of openness, fairness and equality and shares of the same class shall carry same rights. The issue conditions and price per share of the same class in the same issue shall be the same; the same price shall be paid for each share subscribed for by any entities or individuals.

The Board of the Company may make separate arrangements for the implementation of any issuance plans for the offering of overseas-listed foreign shares and domestic shares by the Company as approved by the securities regulatory authorities under the State Council. Subject to the maximum number of shares proposed to be issued, the overseas-listed foreign shares and domestic shares issued by the Company respectively shall be fully subscribed for in one tranche. If the shares cannot be fully subscribed for in one tranche under special circumstance, the Company may issue the shares in several tranches, subject to approval of the securities regulatory authorities under the State Council.

INCREASE AND DECREASE IN CAPITAL AND REPURCHASE OF SHARES

Subject to the relevant laws and regulations and the Articles and the passing of special resolutions at the shareholders' general meeting, the Company may increase its capital in the following manners to meet the needs of operations and development:

- offering new shares to unspecified investors for subscription;
- placing new shares to its existing shareholders;
- distributing new shares to its existing shareholders;
- offering new shares to specified investors;
- converting the common reserve fund into capital;
- other manners permitted by laws, administrative regulations and relevant regulatory authorities.

Increase in capital of the Company by way of new issue shall be proceeded in accordance with the PRC laws and administrative regulations, and subject to the approval as required by the Article. The Company may reduce its registered capital. Reduction of registered capital of the Company shall be proceeded in accordance with the Company Law and other relevant regulations as well as the Article.

The Company may, in accordance with the laws, administrative regulations, the Main Board Listing Rules and the Articles and subject to the approval of the relevant competent authority of the State, repurchase its issued shares under the following circumstances:

- cancellation of shares for the reduction of its capital;
- merging with another company that holds shares in the Company;
- the Company awarding its employees with shares;
- where the shareholders disagree on the resolutions passed by the shareholders' general meeting on the merger or division of the Company so much that they request the company to acquire their shares;
- other circumstances permitted by laws and administrative regulations.

After the Company repurchases its shares pursuant to the law, the shares in respect of the circumstances described in clause (1) shall be cancelled within 10 days from the day of purchase; those in respect of the circumstances described in clauses (2) and (4) shall be transferred or cancelled within 6 months; and those in respect of the circumstances described in clauses (3) shall not exceed 5% of its total issued shares; and repurchase shall be funded out of the profit after tax of the Company; the shares purchased shall be transferred to the employees within one year.

The Company may, with the approval of the relevant State governing authority for repurchasing its shares, conduct the repurchase in one of the following manners:

- making a pro rata general offer of repurchase to all its shareholders;
- repurchase through public dealing on a stock exchange;
- repurchase by an off-market agreement outside a stock exchange;
- other circumstances permitted by laws and administrative regulations.

After the Company has cancelled and repurchased the shares in accordance with the law, it shall apply to the original company registration authorities for registration of the changed registered capital. The aggregate par value of the cancelled shares shall be deducted from the Company's registered capital.

Unless the Company is in the course of liquidation, it must comply with the following provisions in relation to repurchase of its issued shares:

- where the Company repurchases shares of the Company at par value, payment shall be made out of book surplus distributable profits of the Company or out of proceeds of a fresh issue of shares made for that purpose;
- where the Company repurchases shares of the Company at a premium to its par value, payment up to the par value may be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose. Payment of the portion in excess of the par value shall be effected as follows:
- if the shares being repurchased were issued at par value, payment shall be made out of the book surplus distributable profits of the Company;
- if the shares being repurchased were issued at a premium to its par value, payment shall be made out of the book surplus distributable profits of the Company or out of the proceeds of a fresh issue of shares made for that purpose, provided that the amount paid out of the proceeds of the fresh issue shall not exceed the aggregate of premiums received by the Company on the issue of the shares repurchased or the current amount (including the premiums on the fresh issue) of the Company's premium account (or capital common reserve fund account) at the time of the repurchase.

Payment by the Company in consideration of the following shall be made out of the Company's distributable profits:

- acquisition of rights to repurchase shares of the Company;
- variation of any contract to repurchase shares of the Company;
- release of any of the Company's obligation under any contract to repurchase shares of the Company.

After the Company's registered capital has been reduced by the total par value of the cancelled shares in accordance with the relevant provisions, the amount deducted from the distributable profits of the Company for paying up the par-value portion of the shares repurchased shall be transferred to the Company's premium account (or capital common reserve fund account).

SHARE TRANSFER

Unless otherwise provided by laws and administrative regulations, shares in the Company are freely transferable and are not subject to any lien. The Company shall not accept the Company's share certificates as the subject of pledges.

Shares of the Company held by the promoters of the Company shall not be transferred within one year commencing from the establishment of the Company. Shares issued prior to the public offer of shares of the Company shall not be transferred within one year from the date when the shares were listed on a stock exchange.

Directors, supervisors and senior administrative officers of the Company shall periodically report to the Company shares of the Company held by them and any changes thereof, and shall not transfer more than 25% of the shares held by them during their term of office, while shares of the Company held by them must not be transferred within one year commencing from the date on which the shares of the Company were listed. The aforesaid persons shall not transfer the shares of the Company held by them within six months commencing from the termination of their service.

The domestic shareholders of the Company may transfer the shares it held to foreign investors and trade its unlisted shares on an overseas stock exchange, subject to the approval of the competent securities authorities of the State Council. To list or trade the above shares on an overseas stock exchange shall also be subject to the regulatory procedures, rules and requirements of the overseas stock market. There shall be no need to convene a class meeting of shareholders for voting on the listing or trading of the above shares on an overseas stock exchange.

FINANCIAL ASSISTANCE FOR ACQUISITION OF COMPANY SHARES

The Company and its subsidiaries shall not, by any means and at any time, provide any kind of financial assistance to any person who is acquiring or is proposing to acquire shares in the Company. The said acquirer of shares of the Company includes a person who directly or indirectly incurs any obligations due to the acquisition of shares in the Company (the "obligor").

The Company and its subsidiaries shall not, by any means and at any time, provide financial assistance to the obligor as referred to in the preceding paragraph for the purpose of reducing or discharging the obligations assumed by that person

The following activities are not subject to the above restrictions:

- the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of giving the financial assistance is not for the acquisition of shares in the Company, or the giving of the financial assistance is an incidental part of some larger purpose of the Company;

- the lawful distribution of the Company's assets by way of dividend;

- the allotment of bonus shares as dividends;

- a reduction of registered capital, a repurchase of shares of the Company or a reorganization of the share capital structure of the Company effected in accordance with the Article;

- the lending of money by the Company within the scope and in the ordinary course of its business, provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company; and

- the provision of money by the Company for contributions to staff and workers' shares schemes, provided that the net assets of the Company are not thereby reduced or that, to the extent that the assets are thereby reduced, the financial assistance is provided out of the distributable profits of the Company.

SHARE CERTIFICATES AND REGISTER OF SHAREHOLDERS

Share certificates of the Company shall be in registered form. Apart from the items as required by the Company Law, share certificates of the Company shall contain other items to be contained as required by the stock exchange on which the shares of the Company are listed.

During the listing of the H Shares on the Stock Exchange, the Company shall ensure that the following statements are included in all title documents (including the H Shares certificates) relating to its securities listed on the Stock Exchange:

- the purchaser of the shares and the Company and each of the shareholders, and the Company and each of the shareholders, agree to observe and comply with the requirements of the Company Law, Special Regulations and other relevant laws, administrative regulations and the Article;

- the purchaser of the shares and each of the shareholders, directors, supervisors, president and other senior officers of the Company, and the Company, acting on behalf of itself and each of the directors, supervisors, president and other senior officers of the Company, and each of the shareholders agree that disputes or claims of rights in connection with the Company's affairs incurred as a result of any rights or obligations under the Articles of Association or the Company Law or other relevant laws and administrative regulations shall be referred to arbitration for settlement in accordance with the provisions of the Articles of Association, and that any referral to arbitration shall be taken as an authorization to an arbitration tribunal to hold a public hearing and announce its arbitration award to the public. Such award shall be final;

- the purchaser of the shares agrees with the Company and each of the shareholders of the Company that the shares of the Company may be freely transferable by the holder thereof;

- the purchaser of the shares authorizes the Company to enter into a contract on his behalf with each of the directors, president and other senior officers, pursuant to which the directors, president and other senior officers undertake to observe and fulfill their responsibilities to the shareholders provided in the Articles of Association.

The Company shall instruct and procure its share registrar to reject the registration of the subscription, acquisition or transfer of shares in the name of any individual holder unless and until the individual holder submits the duly signed form relating to such shares to the share registrar, and the form shall contain the above statements.

The Company shall keep a register of its shareholders and enter in the register the following particulars:

- the name (title) and address (residence), the occupation or nature of each shareholder;
- the class and quantity of shares held by each shareholder;
- the amount paid or payable on the shares of each shareholder;
- the share certificate numbers of the shares held by each shareholder;
- the date on which each person was entered in the register as a shareholder;
- the date on which any shareholder ceased to be a shareholder.

Unless evidence to the contrary is shown, the register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company

The Company may, in accordance with the mutual understanding and agreements between the securities governing authority of the State Council and overseas securities regulatory organizations, maintain the register of shareholders of Overseas Listed Foreign Shares overseas and appoint overseas agent(s) to manage such share register. The original share register for holders of Overseas Listed Foreign Shares listed in Hong Kong shall be maintained in Hong Kong. A duplicate of the share register for holders of Overseas Listed Foreign Shares shall be maintained at the Company's address. The appointed overseas agent(s) shall ensure the consistency between the original and the duplicate of the share register.

If there is any inconsistency between the original and the duplicate of the share register for holders of Overseas Listed Foreign Shares, the original shall prevail.

No changes in the shareholders' register due to the transfer of shares may be made within 30 days before the date of a shareholders' general meeting or within 5 days before the record date for the Company's distribution of dividends.

Any person aggrieved and claiming to be entitled to have his name (title) to be entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

Any person who is a registered shareholder or who claims to be entitled to have his name (title) entered into the register of shareholders in respect of shares in the Company may, if his share certificate (the "original certificate") relating to the shares is lost, apply to the Company for a replacement new share certificate in respect of such shares (the "Relevant Shares").

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

A shareholder of the Company is a person who awfully holds shares in the Company and whose name (title) is entered in the register of shareholders. Shareholders who hold shares of the same class shall enjoy the same rights and assume the same obligations. Where two or more persons are registered as joint holders of any shares, they shall be taken as joint owners of such shares, subject to the following restrictions:

- the Company need not register more than 4 persons as joint holders of any shares;
- all joint holders of any shares are jointly and severally;
- liable for all amounts payable for the relevant shares;
- if one of the joint holders dies, only the surviving joint holders shall be taken by the Company as persons having the right of ownership of the relevant shares. The board of directors shall have the right, for the purpose of making amendments to the register of shareholders, to demand the provision of a document evidencing the death of the relevant shareholder as it thinks fit; and
- in case of any joint holders of shares, only the joint holder whose name appears first in the register of shareholders is entitled to receive the share certificates of the relevant shares and the Company's notices. Any notice served to that person shall be taken as having been served to all joint holders of the relevant shares. Any one shareholder may sign this proxy form. The vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint shareholding.

The ordinary shareholders of the Company shall enjoy the following rights:

- the right to dividends and other distributions in proportion to the number of shares held;
- the right to request the convening and holding of and to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right of supervisory management over the Company's business operations, and the right to present proposals or enquiries;
- the right to transfer, donate or pledge his shares in accordance with laws, administrative regulations and the Article;

- the right to obtain relevant information in accordance with the provisions of the Article, including:

  1. the right to obtain a copy of the Article, subject to payment of the cost of such copy;

  2. the right to inspect and copy, subject to payment of a reasonable charge:

     (1) copies of all parts of the register of shareholders;

     (2) personal particulars of each of the Company's directors, supervisors, president and other senior administrative officers, including:

        (a) present name and alias and any former name or alias;

        (b) principal address (residence);

        (c) nationality;

        (d) primary and all other part-time occupations and duties;

        (e) identification documents and their relevant numbers;

     (3) state of the Company's share capital;

     (4) reports showing the aggregate par value, quantity, highest and lowest price paid in respect of each class of shares repurchased by the Company since the end of last accounting year and the aggregate amount paid by the Company for this purpose (with a breakdown between domestic shares and foreign-invested shares);

     (5) minutes of general meetings, special resolutions of general meetings, resolutions of the board of directors and the supervisory committee;

     (6) the bond stubs of the Company;

     (7) the latest audited financial reports, and reports of the board of directors, auditors and supervisory committee; and

     (8) a copy of the latest annual inspection report filed with the State Administration for Industry and Commence of the PRC or other competent authorities for inspection.

The Company shall place the aforesaid document (expect for documents in item 2(2)) at its address and principal place of business in Hong Kong for the inspection of the public and shareholders.

- in the event of the termination or liquidation of the Company, the right to participate in the distribution of surplus assets of the Company in accordance with the number of shares held;

- the right to request the company to repurchase their shares as a result of disagreement on the resolutions passed by the shareholders' general meeting on the merger or division of the Company;

- shareholder(s) severally or jointly holding more than 3% of the shares of the Company may submit the temporary proposal in writing to the board of the directors within 10 days before the convening of the shareholder's general meeting.

- other rights conferred by laws, administrative regulations, rules of competent authorities and the Articles of Association.

The ordinary shareholders of the Company shall assume the following obligations:

- to abide by the law, administrative regulations and the Article;

- to pay subscription monies according to the number of shares subscribed and the method of subscription;

- to be responsible to the Company up to his subscribed shares;

- not to withdraw their shares after the Company's approval for registration unless required by laws and administrative regulations;

- other obligations imposed by laws, administrative regulations and the Article;

- unless otherwise required, shareholders are not liable to make any further contribution to the share capital other than as agreed by the subscriber of the relevant shares on subscription.

In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which shares of the Company are listed, a controlling shareholder shall not exercise his voting rights in respect of the following matters in a manner prejudicial to the interests of the shareholders generally or of some of the shareholders of the Company:

- to relieve a director or supervisor of his duty to act honestly in the best interests of the Company;
- to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person), in any guise, of the Company's assets, including but not limited to opportunities beneficial to the Company;
- to approve the expropriation by a director or supervisor (for his own benefit or for the benefit of another person) of the individual rights of other shareholders, including but not limited to rights to distributions and voting rights save pursuant to a restructuring submitted to shareholders for approval in accordance with the Article.

General Requirements for the Shareholders' General Meetings

The shareholders' general meeting shall be the authority of the Company and shall exercise the following functions and powers according to the law:

- to decide on the Company's operational policies and investment plans;
- to elect and replace the directors and supervisors who are not staff representatives, and to decide on matters relating to the remuneration of such directors and supervisors;
- to consider and approve reports of the board of directors;
- to consider and approve reports of the supervisory committee;
- to consider and approve the Company's proposed annual preliminary and final financial budgets;
- to examine and approve the Company's profit distribution plans and plans for making up losses;
- to decide on increase or decrease in the Company's registered capital;
- to decide on the issue of debentures, any kind of share certificates, warrants and other similar securities by the Company;
- to decide on matters such as merger, division, dissolution, liquidation and change in company forms of the Company;

- to amend the Article;
- to consider motions raised by shareholders who represent 3% or more of the total shares of the Company carrying the right to vote;
- to decide on the appointment, dismissal and disengagement of the accountants of the Company;
- to resolve the security-related matters required by Article 62 of the Article;
- to resolve the matters that the Company plans to purchase or sell major assets the amount of which within a year exceeds 30% of the Company's latest audited total assets;
- to consider the adoption of share incentive scheme;
- to resolve the matters of the repurchase of the Company's shares;
- to decide on other matters which, according to laws, administrative regulations and the Articles of Association, need to be approved by shareholders in general meetings;
- other items to be contained as required by the listing rules of the stock exchange on which the shares of the Company are listed;
- The shareholders in a general meeting may authorize the board of directors to carry out matters on their behalf or which they may sub-delegate to the board of directors provided that such authorization does not violates the laws and regulations and relevant laws and regulations of the place where the company is listed.

Convening a Shareholders' Meeting

Shareholders' general meetings are divided into annual general meetings and extraordinary general meetings. Annual general meetings are held once every year and within 6 months from the end of the preceding financial year.

An extraordinary general meeting shall be held when necessary. Under any of the following circumstances, the Board shall convene an extraordinary general meeting within 2 months from the occurrence thereof:

- when the number of directors is less than that is required by the Company Law or two thirds of the number of directors specified in the Article;
- when the unaccounted losses of our Company amount to one third of its paid up share capital;

- when shareholder(s) individually or jointly holding 10% or more of the Company's shares request(s) in writing the convening of an extraordinary general meeting;

- when the board of directors considers necessary or upon the request of the supervisory committee;

- when more than two independent non-executive Directors so request;

- other situations stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange on which the shares of the Company are listed or the Article.

In any of the circumstances referred to in (3) and (4) above, the matter for consideration proposed by the party requesting the holding of the extraordinary general meeting shall be included in the agenda of such meeting.

Convening of an extraordinary general meeting or a class meeting requested by shareholder shall be proceeded in accordance with the procedures set forth below:

- two or more shareholders holding a total of 10% or more of the shares carrying the right to vote at the meeting sought to be held may sign one or more written requests of identical form and substance requesting the Board to convene an extraordinary general meeting or a meeting of shareholders of different classes and stating the subject of the meeting. The Board shall convene an extraordinary general meeting or a class meeting as soon as possible after having received the above-mentioned written request. The shareholding referred to above shall be calculated as of the day on which the written request is made;

- if the Board fails to issue a notice of such meeting within 30 days after having received the above-mentioned written notice, the shareholders who made such request may themselves convene the meeting within four months after the Board received the request. The procedures according to which they convene such meeting shall, to the extent possible, be identical to the procedures according to which general meetings are to be convened by the Board.

Where shareholders convene and hold a meeting because the Board failed to hold such meeting pursuant to a request as mentioned above, the reasonable expenses incurred by such meetings shall be borne by the Company and shall be deducted from the sums owed by the Company to the negligent directors.

Proposal and Notice of the Shareholders' General Meeting

At the annual general meeting held by the Company, the board of directors and the supervisory committee and shareholders severally or jointly holding 3% or more of the total voting shares of the Company are entitled to propose new resolutions in writing to the Company. The Company shall place such resolutions on the agenda for such meeting if they are matters falling within the scope of duties of the shareholders' meeting.

When the Company convenes an annual general meeting, shareholders holding 3% or more of the total voting shares of the Company shall be entitled to propose an interim resolution and submit the same to the Board 10 days prior such general meeting. The Board shall issue a supplemental notice of shareholders' general meeting within 2 days after the receipt of such proposal and submit such interim resolution to the shareholders' general meeting for consideration and approval. The contents of an interim resolution shall fall within the authority of the shareholders' general meeting and have topics for discussion and specific matters to be resolved.

To convene a general meeting, the Company shall give written notices 45 days before the date of the meeting, informing all registered shareholders of the matters proposed to be considered at the meeting and the date and place of the meeting. Shareholders who will attend the meeting shall return the written replies of attendance to the Company 20 days before the date of the meeting. The calculation of relevant time frame is exclusive of the date on which such meeting is held.

The notice of a general meeting shall be served on the shareholders (whether or not entitled to vote at the meeting), by delivery or prepaid airmail to their addresses as shown in the register of shareholders. For the holders of domestic shares, notice of the meeting may be issued by way of public notice.

The notification, materials or written announcement of the shareholders' assembly meeting should be delivered to the shareholders of overseas-listed foreign shares in any of the following manners, 45 days prior to the said meeting:

- such notification or announcement should be delivered to each holder of overseas-listed shares by person or by mail in accordance with the registered address of such shareholders. The notification for holders of overseas-listed shares should be dispatched from Hong Kong;
- announced at the website of the Company or websites designated by local stock exchange in accordance with relevant laws, administrative regulations and main board listing rules;
- other manners as required by local stock exchange and listing rules where shares of the Company are listed.

Voting and Resolutions at Shareholders' General Meetings

Resolutions of shareholders' general meetings shall be divided into ordinary resolutions and special resolutions. To adopt an ordinary resolution, votes representing more than one half of the voting rights represented by the shareholders (including the proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed. To adopt a special resolution, votes representing more than two thirds of the voting rights represented by the shareholders (including the proxies) present at the meeting must be exercised in favor of the resolution in order for it to be passed.

Shareholders (including the proxies) who attend the meeting shall expressly state their opinions for every matter to be determined by voting in one of the following manners: For, Against, or Abstain. In counting the voting results for a resolution, votes of abstention casted and abstention from voting will not be counted in the voting result.

The following matters shall be resolved by an ordinary resolution at the shareholders' general meeting:

- work reports of the board of directors and the supervisory committee;
- plans made by the board of directors on profit distribution and losses made-up;
- appointment and removal of members of the board of directors and the supervisory committee (save for the staff representative supervisors) and their remuneration and methods of payment;
- the annual financial budget report, final report, balance sheet, income statement and other financial statements of the Company;
- the annual report of the Company;
- matters other than those specified by laws, administrative regulations, listing rules of the place where the shares of the Company are listed or the Articles to be resolved by special resolutions.

The following matters shall be resolved by a special resolution at a shareholders' general meeting:

- the increase or decrease in registered capital and the issue of shares of any class, warrants and other similar securities of the Company;
- the issue of debentures of the Company;
- the division, merger, dissolution and liquidation of the Company;
- the change of the form of the Company;
- that the Company purchased or sold major assets or provided a guarantee the amount of which within a year exceeds 30% of the Company's latest audited total assets;
- amendments to the Articles;
- the consideration and adoption of share incentive schemes;
- other matters as stipulated by laws, administrative regulations or the Articles, as well as those passed by way of ordinary resolution at shareholders' general meetings which are considered as having material impact on the Company and required to be passed by special resolutions;
- other matters as required by the Main Board Listing Rules to be passed by special resolutions.

SPECIAL PROCEDURES FOR VOTING BY A CLASS OF SHAREHOLDERS

Those shareholders who hold different classes of shares are class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations, listing rules where shares of the Company are listed and the Articles of Association.

The special procedures for voting by class shareholders shall not apply under the following circumstances:

- Upon the approval by a special resolution at the general meeting, the Company can either separately or concurrently issues Domestic Shares and overseas listed foreign Shares every 12 months, and the number of Shares of each class to be issued shall not account for more than 20% of the outstanding Shares of such class;

- The plan to issue Domestic Shares and overseas listed foreign shares upon the establishment of the Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council;

- Upon the approval by the State Council or the approval authority authorised by it, the Shares held by promoters are converted into foreign shares and become listed for trading on an overseas stock exchange.

Where the capital of the Company includes shares which do not carry voting rights, the words “non-voting” must appear in the designation of such shares. Where the equity capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words “restricted voting” or “limited voting”.

Rights conferred on any class of shareholders may not be varied or abrogated save with the approval of a special resolution of shareholders in a general meeting and by the class shareholders affected at a separate meeting convened in accordance with Articles 94 to 98 of the Articles of Association.

The following circumstances shall be deemed to be variation or abrogation of the rights of a particular class of shareholders:

- to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of a class having voting or equity rights or privileges equal or superior to those of the shares of such class;

- to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

- to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

- to reduce or remove a dividend preference or a liquidation preference attached to shares of such class;
- to add, remove or reduce conversion privileges, options, voting rights, transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of such class;
- to remove or reduce rights attached to shares of such class to receive payment payable by the Company in particular currencies;
- to create a new class of shares having voting or equity rights or privileges equal or superior to those of the shares of such class;
- to restrict the transfer or ownership of the shares of such class or add to such restriction;
- to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;
- to increase the rights or privileges of shares of another class;
- to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of such proposed restructuring;
- to vary or abrogate the provisions of this Chapter.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at the shareholders' general meeting, with a term of office of three years. Upon expiry of his term, a director shall be eligible for re-election.

Any person appointed by the board of directors to fill a temporary vacancy on or as an addition to the board shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

A director may resign before the expiration of his term. The resigning director shall submit to the board of directors a resignation report in writing. If a director's resignation results in the number of directors constituting the board of directors to fall below the quorum, the resigning director shall perform his duties as a director in accordance with the laws, administrative regulations and the provisions of the Articles, until the newly elected director assumes office. Except the circumstances specified above, the resignation of a director shall become effective upon the notice of resignation is served to the board of directors.

A director shall clear all transitional procedures with the Board on resignation or expiry of term and shall fulfil his fiduciary obligations against the Company and shareholders. The obligations shall not be dismissed after the expiry of term and remains effective within the reasonable period specified by the Articles of Association. The confidentiality duty shall still be binding for the Director after his resignation or expiry of his term until relevant confidential information enters the public domain.

Board of directors

The Company shall establish a Board. The Board shall comprise 11 directors, including 4 independent non-executive directors. One third or more of the members of the board of directors shall be independent non-executive directors, of which at least one independent non-executive director shall be an accounting professional (being a person with a senior title or qualification as a certified public accountant). Independent non-executive directors shall perform their duties independently, and shall not be influenced by the Company's substantial shareholders, actual controllers or entities or individuals who have interests in the Company and its substantial shareholders and actual controllers. Independent non-executive directors shall carry out their duties honestly and faithfully, protect the Company's interest and in particular prevent encroachment of the rights and interests of public shareholders。 Independent non-executive directors can directly report to the shareholders' general meeting and the securities regulatory authorities of the State Council and other corresponding departments.

President or other senior administrative officers can serve the office of director concurrently. However, the total number of directors serving the office of president or other senior administrative officers concurrently shall not exceed half of the total number of directors of the Company.

The Board shall appoint one chairman and one vice-chairman. The chairman and the vice-chairman shall be elected and removed by more than one half of all the members of the board of directors. The term of office of each of the chairman and the vice-chairman is 3 years, which is renewable upon re-election.

The board of directors exercises the following functions and powers:

- to be responsible for convening shareholders' general meetings, to propose at a shareholders' general meeting to pass the relevant matters and to report on its work to the general meeting;
- to formulate the Company's proposed annual preliminary and final financial budgets;
- to formulate the Company's profit distribution plan and plan for recovery of losses;
- to formulate proposals for increases or reductions of the Company's registered capital and issue and listing of corporate debentures or other securities;

- to draw up plans for the material asset acquisition or disposal, repurchase of shares of the Company or merger, division, dissolution and alteration of corporate form of the Company;

- to decide on the establishment of the Company's internal management structure;

- to appoint or remove the Company's general manager and secretary of the Board, to appoint or remove other senior officers, and to determine the abovementioned matters relating to the remuneration, incentives and punishments of the senior officers;

- to decide on the proposals for salaries, benefits, and incentives and punishments of the Company's staff;

- to approve the appointment or replacement of directors and shareholder representative supervisors of the Company's wholly-owned subsidiaries, appointment, replacement or nomination of shareholder representatives, directors (candidates) and shareholder representative supervisors (candidates) of the Company's controlling subsidiaries and joint-stock subsidiaries;

- to draw up the Company's basic management system;

- to draw up proposals for modifications to the Articles;

- to determine the establishment of the Company's domestic or overseas branches;

- to decide on the matters such as merger, division, reorganization or dissolution of the Company's wholly-owned subsidiaries and holding subsidiaries;

- to decide on the establishment of special committees under the Board and to appoint or remove its person-in-charge;

- to propose at shareholders' general meetings a resolution in respect of candidates for independent non-executive directors and replacement of independent non-executive directors;

- to propose at shareholders' general meetings for the appointment, renewal or removal of accountants' firm conducting auditing for the Company;

- to hear the work report and inspect the work of the general manager;

- to manage information disclosure of the Company;

- to formulate the equity incentives plan;

- to exercise decision-making power on issues in respect of external investment (including increase in investment and equity transfer), financing, venture investment, entrusted wealth management, provision of external guarantees, save and except for those decisions to be decided by the shareholders' general meeting pursuant to the law, regulations and the Articles;

- to formulate and review the corporate governance policy and practices of the Company;

- to review and supervise the training and continuing professional development of directors, supervisors and senior management;

- to review and supervise the policies and practices of the Company in compliance with legal and regulatory requirements;

- to formulate, review and supervise the code of conduct and compliance manual (if any) applicable to employees and directors;

- to review the Company's compliance with the Code on Corporate Governance Practices as set out in the listing rules and the disclosure in the Corporate Governance Report;

- to decide on other major affairs of the Company, save for matters to be resolved at shareholders' general meetings as required by the Company Law and the Articles of Association;

- other powers conferred by the Articles of Association or shareholders' general meetings;

- other matters as required by the PRC laws and regulations.

Except the resolutions of the Board in respect of the matters specified in paragraphs (6), (7) and (13) above, which shall be passed by two-thirds or more of the directors, the resolutions of the Board in respect of all other matters may be passed by more than half of the directors. Resolutions in respect of connected transactions made by the Board shall not come into force unless it is signed by independent non-executive directors.

Independent Non-Executive Directors

The Company shall have independent non-executive directors. Save as stipulated otherwise in this section, the requirement of a director's qualification and duties under Chapter 14 of the Articles is applicable to independent non-executive directors. An independent non-executive director shall meet the independence requirements as stated in the listing rules of the stock exchange where the shares of the Company are listed.

Secretary to the Board of directors

The Company shall have 1 secretary to the board of directors, who is a senior managerial personnel of the Company.

The secretary to the Company's board of directors shall be a natural person who has the requisite professional knowledge and experience, and shall be nominated by the chairman of the board and appointed and dismissed by the board.

The General Manager and Other Senior Officers

Article 126 The Company shall have 1 general manager, who shall be engaged or dismissed by the board; the Company shall have 4 vice general managers, 1 financial officer, 1 chief engineer and 1 chief economist, who shall be nominated by the general manager and engaged or dismissed by the board. A director may serve concurrently as the general manager or other senior officers.

The general manager shall be accountable to the board of directors and shall exercise the following functions and powers:

- to be in charge of the production, operation and management of the company, and to report to the board of directors;
- to organize the implementation of the resolutions of the board of directors, the annual business plans and investment plans of the company;
- to draft the plan of the company's annual finance budgets and final accounts, and propose to the board of directors;
- to draft the basic management system of the company and the plan for the establishment of the company's internal management organization;
- to formulate the specific rules and regulations of the company;
- to request the board of directors to employ or dismiss other senior officers;
- to decide on the employment or dismissal of management personnel other than those to be employed or dismissed by the board of directors;
- to propose to convene extraordinary board meetings in case of emergence;
- to decide matters of the company such as investment, financing, contracts and transactions to the extent of powers delegated by the board of directors;
- other functions and powers delegated by the Articles and the board of directors.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

The board of supervisors shall be composed of 6 members, one of whom shall be the chairman of the board of supervisors. The term of office of supervisors shall be 3 years, which is renewable upon re-election. The election or removal of the chairman of the board of supervisors shall be decided by vote by two-thirds or more of the members of the board of supervisors.

The directors, general manager and senior officers of the Company shall not act concurrently as supervisors.

A supervisor shall carry out his/her supervisory duties honestly and faithfully in accordance with laws, administrative regulations and the Articles of Association.

Board of Supervisors

The board of supervisors shall be accountable to the shareholders' general meeting and exercise the following functions and powers:

- to supervise the directors and senior officers in their performance of duties and to propose the removal of directors and senior officers who have contravened any law, administrative regulations, the Articles of Association or shareholders' resolutions;
- to demand directors and senior officers of the Company who act in a manner which is harmful to the Company's interests to rectify such behavior;
- to examine the Company's financial affairs;
- to propose to convene a shareholders' extraordinary general meeting; and to convene and chair general meeting in case the board of directors fails to fulfill the obligations of the Company Law to convene and chair the general meeting;
- to check the financial information such as the financial report, business report and plans for distribution of profits to be submitted by the board of directors to the shareholders' general meetings and, should any queries arise, to authorizes in the name of the Company public certified accountants and practicing auditors to re-examine the financial information;
- to propose resolutions at a shareholders' general meeting;
- to propose to convene an extraordinary meeting of the board of directors;
- to institute a suit to the directors or senior officers of the Company according to article 151 of the Company Law;

- other functions and powers conferred by laws, administrative regulations and the Articles of Association;

- Supervisors shall be present at meetings of the Board.

Qualifications and Obligations of Directors, Supervisors and Other Senior officers of the Company

The following persons may not serve as a director, supervisor, the general manager, or other senior officers of the Company:

- persons who have no civil capacity or have restricted civil capacity;

- persons who have committed the offences of corruption, bribery, trespass of property, misappropriation of property or damaging the social economic order, and have been penalized due to the above offences, where less than 5 years have elapsed since the date of the completion of implementation of the penalty or persons who have committed crimes and have been deprived of their political rights due to such crimes, where less than 5 years have elapsed since the date of the completion of the implementation of such deprivation;

- persons who were former directors, factory chiefs or managers of a company or enterprise which has become insolvent and has been liquidated and were personally liable for the insolvency of such company or enterprise, where less than 3 years have elapsed since the date of the completion of the insolvency and liquidation of such company or enterprise;

- persons who were legal representatives of a company or enterprise which had its business license revoked due to a violation of the law and were ordered to close down and who were personally liable to such company or enterprise, where less than 3 years have elapsed since the date of such company or enterprise was ordered to close down;

- persons with a comparatively large amount of personal debts due and unsettled;

- persons who have committed criminal offences and are still under investigation by law administration authorities;

- persons who were not allowed to be heads of enterprises as stipulated by laws and administrative regulations;

- persons who are not natural persons;

- persons who have been convicted of offences of violating provisions of the relevant securities regulations or offences of fraud or acting in bad faith by the relevant competent authorities, where less than 5 years have lapsed since the date of conviction;

- other persons stipulated by the laws and regulations of where the company's shares are listed.

The validity of the conduct of directors, the general manager, or other senior officers of the Company who have acted on behalf of the Company with respect to third parties who have acted in good faith shall not be affected due to any irregularity in the employment, election or qualification of such directors, the president, or other senior officers.

In addition to obligations imposed by relevant laws, administrative regulations or the listing rules of the securities exchange on which the Company's shares are listed, directors, supervisors, the president, and other senior officers in the exercise of their powers and the discharge of their duties shall owe the following obligations to the shareholders:

- not to cause the Company to go beyond the business scope specified by its business license;
- to act honestly in what they consider to be the best interest of the Company;
- not to deprive in any way the Company of its assets, including (but not limited to) opportunities beneficial to the Company;
- not to deprive shareholders of their personal rights and interests, including (but not limited to) rights to distributions and to vote, except in a Company reorganization submitted in accordance with the Articles and adopted at a shareholders' general meetings.

Each director, supervisor and senior officer of the Company should abide by his fiduciary principles in the discharge of his duties, and not to place himself in a position where his duty and his own interests may conflict. Such principles include (but are not limited to) the performance of the following obligations:

- to act honestly in what he considers to be in the best interest of the Company;
- to exercise his powers within the scope specified and not to act ultra vires;
- to exercise the discretion vested in him personally and not allow himself to act under the direction of another; unless and to the extent permitted by law, administrative regulations or by the shareholders, having been informed of the relevant facts, at a general meeting, not to delegate the exercise of his discretion;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- except in accordance with the Articles or with the informed consent of shareholders in general meeting, not to enter into any contract, transaction or arrangement with the Company;
- not without the approval of the shareholders, having been informed of the relevant facts, at a general meeting, to use the Company's assets for his personal benefit in any manner;

- not to use his position to accept bribes or other illegal income and not to expropriate the Company's assets in any manner, including (but not limited to) opportunities beneficial to the Company;

- not without the informed consent of shareholders in general meeting, to accept commissions in connection with the Company's transactions;

- to abide by the Articles, faithfully perform his duties and protect the interests of the Company, and not to use his position and powers in the Company to seek personal gain;

- not to compete with the Company in any way except with the informed consent of shareholders given in general meeting;

- not to misappropriate the Company's funds, not to open any bank account in his own name or others' name for the deposit of the Company's assets or funds, and not to violate the provision of the Articles to lend the Company's funds to others or provide security of the Company's assets for debts of shareholders of the Company or other individuals without the approval of shareholders' general meeting or the board of directors;

- without the informed consent of shareholders in general meeting, not to disclose confidential information of the Company acquired while in office and not to use such information other than in furtherance of the interests of the Company, save and except that disclosure of information to a court or a relevant governmental authority is permitted where:

    - the disclosure is made under compulsion of law;

    - there is a duty to the public to disclose;

    - the personal interests of the director, supervisor, the general manager and other senior officers require disclosure.

Incomes derived from the violation by above-mentioned persons who violate this Article shall belong to the Company; Anyone who has caused any loss to the Company shall be subject to compensation.

The fiduciary duties of a director, supervisor, the general manager, and other senior officer of the Company do not necessarily cease with the termination of his tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of his term of office. Other duties may continue for such period as fairness may require depending on the time lapse between the termination of his term of office and the occurrence of the matter in question and the circumstances and the terms under which the relationships between him and the Company are terminated.

Where a director, supervisor and senior officer is, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (excluding employment contract made by the Company with the director, supervisor, general manager and other senior officers), he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the related matters is otherwise subject to the approval of the Board under normal circumstances

The Company shall not, in any manner, pay tax for or on behalf of its director, supervisor or other senior officers.

The Company is prohibited from directly or indirectly making any loan or guarantee to directors, supervisors or senior officers of the Company or the directors, supervisors, the President, or senior officers of its parent company. The Company is also prohibited from providing any loan or guarantee to related parties of the aforesaid.

The foregoing prohibitions are not applicable to the following circumstances:

- the provision of a loan or a guarantee for a loan by the Company to a company which is a subsidiary of the Company;

- the provision of a loan or a guarantee for a loan or any other funds by the Company to any of its directors, supervisors and senior officers to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform properly, in accordance with the terms of an employment contract approved by the shareholders' general meeting his duties; and

- the Company may make a loan to or provide a guarantee in connection with a loan by another person to any of its directors, supervisors, the President and senior officers or other connected persons where the ordinary course of its business includes the making of loans or the giving of guarantees and provided that the making of such loans or the giving of such guarantees is on normal commercial terms.

A guarantee for a loan provided by the Company in breach of the prohibition referred to in Clause 1 of Article 147 shall be unenforceable against the Company unless:

- the guarantee was provided in connection with a loan to a person connected with a Director, Supervisor and senior officers of the Company or its parent company and at the time the loan was advanced the lender did not know of the relevant circumstances;

- the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

Guarantee referred to in the preceding article of the Chapter includes an act of undertaking or property provided by the guarantor to secure the performance of obligations by the obligor.

In addition to any rights and remedies provided for in relevant laws and administrative regulations, the Company is entitled to adopt the following measures where a director, supervisor and senior officer is in breach of his duties owed to the Company:

- to claim against such a director, supervisor and senior officer for losses incurred by the Company as a result of his breach;
- to rescind any contract or transaction entered into between the Company and the director, supervisor and senior officer and a third party where such third party has knowledge or should have had knowledge of the breach of duty;
- to surrender the profits made by the director, supervisor and senior officer as a result of his breach;
- to recover any monies received by the director, supervisor and senior officer which should have been received by the Company, including, without limitation, commissions;
- to demand the return of the interest earned or which may have been earned on any monies by the director, supervisor and senior officer which should have been received by the Company; and
- to execute legal procedures judging that the interest of a director, supervisor and other senior officer earned through his breach of duty should belong to the Company.

Remuneration

The Company shall enter into written contracts with directors and supervisors in respect of remuneration issues, subject to approval by shareholders' general meeting in advance. The remuneration referred to above shall include:

- the remuneration in respect of his service as a director, supervisor or senior officer of the Company;
- the remuneration in respect of his service as a director; supervisor or senior officer of a subsidiary of the Company;
- the remuneration for provision of other services in connection with the management of the affairs of the Company and its subsidiaries; and
- payment by way of compensation for loss of office of the director or the supervisor or as consideration for or in connection with his/her retirement.

Save pursuant to the contract aforesaid, no legal proceedings may be brought by a director or supervisor against the Company in respect of the benefits ought to be received by him by reasons of the matters stipulated above.

The Company shall regularly disclose the remuneration received by a director, supervisor or senior officer from the Company to the shareholders

In the contract for emoluments entered into by the Company with a director or supervisor of the Company: when the Company is acquired, provisions shall be made for the right of the director or supervisor of the Company to receive, after obtaining the prior consent of shareholders in general meeting, payments or other amounts by way of compensation for loss of office or for his retirement from office. A takeover of the Company referred to above means:

- an offer made by anyone to all shareholders;

- an offer is made by anyone such that the offeror will become the controlling shareholder (as defined in the Articles).

If the relevant director or supervisor does not comply with the provisions of this Article, any sum received by the director or supervisor on account of the payment shall belong to those persons who have sold their shares as a result of the aforesaid offer, and the expenses incurred by the director or supervisor in distributing that sum pro rata among those persons shall be borne by him and not deducted from the sum distributed.

Party Organization

The Company shall establish a party committee (hereinafter referred to as the "Party Committee") and a discipline inspection committee (hereinafter referred to as the "Discipline Inspection Committee"). The Party Committee consists of nine members, among which, one serves as secretary and two serve as deputy secretaries. The secretary to the party committee and the chairman are generally held by the same person, who earnestly performs the duty as the first responsible person for party building. The Discipline Inspection Committee consists three members, among which, one serves secretary.

The secretary to the Party Committee gives full play to the role of the core of leadership and political cores in order to ensure the implementation of party supervision and national policies across the Company and the high consistency with the central committee of the party in such aspects as thought, political ideology and action; to participate in the making of major decisions, and provide opinions and advices on material issues capable of affecting the stability of the Company's reform and development; to put into practice the principles of letting the Party to manage the cadres and the talent, and play a leading and gatekeeping role in talent selection and utilization; to tighten the supervision on the leaders and earnestly discharge the main responsibility for building the style of work of the party and upholding Party integrity; to lead the ideological and political work as well as such mass organizations as the trade union and Communist Youth League of the Company, provide support for the work of the congresses of staff representatives, and insist on guiding the Company's cultural construction with core socialist values; to enhance the team building of the party organization and party members at the primary level, and give full play to the role of the primary Party organization as the militant bastions and the exemplary and vanguard role of Party members.

The Company provides necessary conditions for the carry-out of Party activities, and guarantees the premises for and finances the activities of the Party organization. The Company provides for the funds needed for the activities of the Party organization in the overall budget at an amount no less than 0.5% of the total staff salaries of the Company for a given year.

FINANCIAL AND ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial and Accounting System

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and rules formulated by relevant state authorities.

The accounting year of the Company shall adopt the calendar year, that is, starting from 1 January of every calendar year to 31 December of every calendar year.

At the end of each accounting year, the Company shall prepare a financial report which shall be examined and verified in a manner prescribed by laws.

The financial statements of the Company shall, in addition to being prepared in accordance with the PRC accounting standards and regulations, be prepared in accordance with either IFRS or that of the place outside China where the Company's shares are listed. If there is any material difference between the financial statements prepared respectively in accordance with both accounting standards, such difference shall be stated and explained in the notes to the financial statements.

For the purposes of distribution of the Company's after-tax profits in a financial year, the lower of the after-tax profits as shown in both sets of financial statements shall be adopted.

The board of directors of the Company shall place before the shareholders at every annual general meeting such financial reports which the relevant laws, administrative regulations and rules as well as directives promulgated by local governments and competent authorities require the Company to prepare.

The Company shall not keep any other books of accounts other than those provided by law. The Company's assets shall not be kept in accounts in the name of any individual.

The Company shall disclose its financial reports two times in each financial year, that is, its interim financial reports within 60 days of the end of the first six months of a financial year and its annual financial reports within 120 days of its financial year end.

The interim results or financial information that the Company announces or discloses shall be compiled according to both PRC accounting standards and regulations, and international accounting standards or accounting standards of the place at which shares of the Company are listed.

Distribution of Profits

When distributing the after-tax profits of the current year, the Company shall allocate 10% of its profits into its statutory common reserve fund. When the cumulated amount of the statutory common reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

Where the statutory common reserve fund of the Company is insufficient to make up for the losses of the Company incurred during the previous years, before making allocation to the statutory common reserve fund in accordance with the preceding paragraph, the profits generated during the current year shall be used to make up for such losses.

After making allocation to the statutory common reserve fund of the Company from its after-tax profits, the Company may, subject to resolutions adopted at a general meeting, also allocate funds from the after-tax profits to the discretionary common reserve fund.

After making up for the losses and making contributions to the common reserve fund, any remaining profits shall be distributed by the Company to the shareholders in proportion to their respective shareholdings according to the resolutions adopted at a general meeting.

If the shareholders' general meeting has, in violation of the provisions of the preceding paragraphs, distributed profits to the shareholders before the Company has made up for its losses and made allocations to the statutory common reserve fund, the shareholders must return the profits distributed in violation of the provision to the company.

No profits shall be distributed in respect of the Company's shares held by the Company.

Capital common reserve fund includes the following:

- premium on shares issued at a premium price;

- any other income designated for the capital common reserve fund by the regulations of the finance regulatory department of the State Council.

The common reserve fund of the Company shall be applied to make up losses, expand the Company's production and operation or increase the Company's capital. However, capital common reserve fund shall not be used to make up losses.

When the statutory common reserve fund is converted to capital, the balance of the statutory common reserve fund may not fall below 25% of the registered capital of the Company before the conversion.

The Company may distribute dividends in each or both of the following ways: (1) cash; (2) shares.

The Company shall appoint receiving agents on behalf of shareholders holding overseas listed Foreign Shares. The receiving agents shall on behalf of such shareholders receive dividends distributed by the Company in respect of the overseas listed Foreign Shares and other proceeds, and proceeds from which shall be managed by the receiving agents on such shareholders' behalf to be paid to them.

The receiving agents appointed by the Company shall comply with the relevant requirements of the law of the place or relevant regulations of the stock exchange where the Company's shares are listed.

The receiving agent appointed on behalf of holders of overseas listed Foreign Shares listed in the Hong Kong Stock Exchange shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Should there be unclaimed dividends after 6 years from the date of declaring dividends, the Company shall have the right to forfeit such dividends upon the expiry of the relevant period.

Cash dividends and other payments payable by the Company to holders of Domestic Shares shall be declared in Renminbi. Cash dividends and other payments payable by the Company to holders of overseas listed Foreign Shares shall be denominated and declared in Renminbi and paid in Hong Kong dollars. The Company shall arrange the foreign currency for payment of cash dividends and other payments payable to holders of overseas listed Foreign Shares in accordance with foreign exchange management related regulations of the State.

Appointment of Accountant Firm

The Company shall appoint an independent accounting firm under the relevant regulations of the State to audit the Company's annual financial statements and review the Company's other financial reports.

The first accounting firm of the Company may be appointed by the inaugural meeting prior to the first annual general meeting and the accounting firm so appointed shall hold office until the conclusion of the first annual general meeting.

If the inaugural meeting does not exercise its functions and powers under the previous clause, such functions and powers shall be exercised by the board of directors.

The term of appointment of the accounting firm shall commence from the conclusion of the current annual general meeting and end at the conclusion of the next annual general meeting.

Should there be a vacancy for the post of accounting firm, the Board may appoint an accounting firm to fill the vacancy before a shareholders' general meeting. Any other accounting firm which is still in service may continue to act as the accounting firm during the period the vacancy remains unfilled.

Notwithstanding any terms stipulated in the appointment contract signed between the accounting firm and the Company, a shareholders' general meeting can, before the expiry of the tenure of the accounting firm, pass an ordinary resolution to dismiss the accounting firm. The accounting firm's right to claim for compensation from the Company for such dismissal, if any, shall remain unaffected.

The remuneration of an accounting firm or the manner in which such remuneration is determined shall be determined by a general meeting. The remuneration of an accounting firm engaged by the board of directors shall be determined by the board.

The decision on engaging, dismissing or not renewing the engagement of an accounting firm shall be made by the general meeting of shareholders, and reported to the securities regulatory authority of the State Council for filing.

Prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment thereof. Such accounting firm shall have the right to make representations at the general meeting of shareholders. Where the accounting firm resigns its post, it shall make clear to the shareholders' general meeting whether there is any impropriety on the part of the Company.

NOTICE AND ANNOUNCEMENT

Notice

Notices of the Company can be issued via the following methods:

- by personal delivery;
- by mail;
- by facsimile or email;
- by publishing on the websites designated by the Company and the Hong Kong Stock Exchange in accordance with laws, administrative regulations and the listing rules of the stock exchange where the Company's shares are listed;
- by an announcement;
- by any other methods as agreed between the Company and the addressee or as accepted by the addressee after the notice is received; or
- any other methods approved by the relevant regulatory bodies of the place of listing of the Company's shares or required by the Articles.

Unless otherwise stated, the "announcement" referred to in the Articles of Association shall mean, as to the announcements published to the holder of Domestic Shares or the announcements required to be published in the PRC according to the relevant requirements and the Articles of Association, an announcement published on any newspaper in the PRC as stipulated under the laws and administrative regulations or designated by the securities authority of the State Council; in respect of announcements made to the holders of overseas listed foreign shares or announcements that are required to be made within Hong Kong in accordance with relevant regulations and the Articles of Association, such announcements must be published on the website of the Hong Kong Stock Exchange as stipulated under the Mainboard Listing Rules.

MERGE, DIVISION, DISSOLUTION AND LIQUIDATION

Merger and Division

For a merger or division of the Company, the Board shall put forward a proposal, and the formalities for approval shall be handled according to laws after the proposal has been adopted according to procedures specified in the Articles of Association. Shareholders who oppose the Company's merger or division plans shall have the right to ask the Company or the shareholders who approve the merger or division plans to purchase their shares at a fair price. The content of the resolution on the merger or division of the Company shall be made into special document, which shall be available for shareholders to inspect.

With regard to holders of overseas listed foreign-invested shares, the aforesaid documents shall also be sent out by mail.

The merger of the Company may take the form of either merger by absorption or merger by the establishment of a new company.

In the case of a merger of the Company, the merging parties shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the Company's merger resolution which is passed and shall publish a public notice in newspaper within 30 days of the date of the Company's merger resolution.

After the merger of the Company, the claims and debts of the parties to the merger shall be assumed by the surviving company or the newly established company.

In the case of a division of the Company, its assets shall be divided accordingly.

In the case of a division of the Company, the parties to the division shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the Company's division resolution which is passed and shall publish a public notice in newspaper within 30 days of the date of the Company's merger resolution.

Debts of the Company prior to the division shall be assumed by the companies which exist after the division, except otherwise agreed in the written agreement in respect of debt service reached between the Company and the creditor prior to the division.

Where a merger or division of the Company involves changes in registered items, such changes shall be registered according to laws with the company registration authority; if the Company is dissolved, its deregistration shall be carried out according to laws; where a new company is incorporated, the registration of the incorporation of the company shall be carried out according to laws.

Dissolution and Liquidation

The Company shall be dissolved and carry out liquidation upon the occurrence of any of the following events:

- the term of business operation expires;
- a special resolution on dissolution is passed by Shareholders at a general meeting;
- dissolution is necessary due to a merger or division of the Company;
- the business license is revoked or the Company is ordered to close down or the business license is cancelled according to law;
- the Company is pronounced insolvent according to law as a result of its inability to pay debts when due;
- the Company is ordered to close down as a result of its contravention of laws and administrative regulations;
- where the Company gets into serious difficulties in operations and management and its continuation may cause substantial loss to the interests of its shareholders, and no solution can be found through any other channels, shareholders representing 10% or more of the total voting rights of the Company may request the People's Court to dissolve the Company.

If the Company is dissolved by virtue of the requirements set out in items (1), (2), (4) or (7) of the preceding article, the Company shall establish a liquidation group within 15 days commencing from the date on which the events being the grounds for dissolution has been occurred to start liquidation process. The members of the liquidation group shall be composed of persons selected by Directors or decided at shareholders' general meeting. If no liquidation group has been established to conduct liquidation within the time limit, the creditors may request the People's Court to designate the relevant personnel to form a liquidation group to conduct liquidation.

If the Company is dissolved by virtue of the requirements set out in item (5) of the preceding article, the People's Court shall in accordance with provisions of relevant laws organize the shareholders, relevant organizations and professional personnel to form a liquidation group to conduct liquidation.

If the Company is dissolved by virtue of the requirements set out in item (6) of the preceding article, the relevant governing authorities shall organize the shareholders, relevant organizations and professional personnel to form a liquidation group to conduct liquidation.

Where the Board decides to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a shareholders' general meeting to consider the proposal to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay all its debts in full within 12 months from the commencement of the liquidation.

Upon the passing of the resolution for the liquidation of the Company, all functions and powers of the Board shall cease.

The liquidation group shall act in accordance with the instructions of the shareholders' general meeting to make a report at least once every year to the shareholders' general meeting on the group's receipts and payments, the business of the Company and the progress of the liquidation, and to present a final report to the shareholders general meeting on completion of the liquidation.

During the liquidation period, the liquidation group shall exercise the following functions and powers:

(1) to sort out the Company's assets and prepare a balance sheet and an inventory of assets respectively;

(2) to notify all creditors by notice or public announcements;

(3) to dispose of and liquidate any relevant unfinished business matters of the Company;

(4) to pay all outstanding taxes and taxes occurred during liquidation process;

(5) to settle claims and debts;

(6) to deal with assets remaining after the Company's debts having been repaid in full;

(7) to represent the Company in any civil proceedings.

The liquidation group shall within 10 days of its establishment send a notice to creditors, and within 60 days of its establishment make a public announcement in a newspaper. The creditors shall report their claims to the liquidation group within 30 days of the receipt of the notification, or in the event that no such notification is received, within 45 days of the date of the first published announcement.

When the creditors report their claims, they shall explain clearly relevant matters regarding the claims and provide supporting evidence. The liquidation group shall register the claims.

The liquidation group may not reimburse any such creditor during the period of such creditor's claim.

The liquidation group shall, after examining the Company's assets, preparing the balance sheets and an inventory of assets, formulate a liquidation plan and present it to the general meeting or the relevant governing authority for confirmation.

The assets of the Company shall be distributed in the following order: the liquidation expenses, paying wages, social insurance contributions and statutory compensation of the Company's employees; taxes owed by the Company; the debts of the Company.

After the assets are applied by the Company to settle debts in accordance with the above provisions, the remaining assets shall be distributed to the shareholders according to the class of shares held by them and the proportion of their shareholdings.

During the liquidation period, the Company shall not engage in any new business activities.

If the liquidation group, having examined the Company's assets and having prepared a balance sheet and assets list, discovers that the Company's assets are insufficient to pay its debts in full, it shall immediately apply to the People's Court for a declaration of insolvency.

After the People's Court has declared the Company insolvent, the company's liquidation group shall turn over any matters regarding the liquidation to the People's Court.

Following the completion of liquidation, the liquidation group shall prepare a report on liquidation and a statement of the receipts and payments and financial books during the period of liquidation, which shall be examined and verified by the PRC certified public accountants and submitted to the shareholders' general meeting or the People's Court for confirmation. The liquidation group shall also within 30 days after such confirmation, submit the preceding documents to the company registration authority and apply for cancellation of registration of the Company, and publish an announcement relating to the termination of the Company.

Amendment to the Articles of Association

The Company may, in accordance with provisions contained in relevant laws, administrative regulations and the Articles of Association, amend its Articles of Association.

The Articles of Association shall be amended according to the following procedures:

- the Board shall approve a resolution to amend the Articles, and prepare the proposed amendments;
- the Board shall convene a general meeting to vote on the amendments to the Articles in the general meeting;
- the amendments to the Articles are passed by way of a special resolution approved in the general meeting;
- The Company shall submit the revised articles of association to the company registration authority for filing.

Where the amendments to the Articles of Association involving the contents of the Mandatory Provisions for Articles of Association of Companies Listed Overseas (the "Mandatory Provisions") shall become effective upon approvals by the company approval authorities of the State Council and the securities commission of the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with law.

Settlement of Disputes

The Company shall act according to the following principles to settle disputes:

(1) For any disputes or claims between shareholders of overseas listed foreign shares and the Company; between shareholders of overseas listed foreign shares and the Directors, Supervisors, the President or other senior officers of the Company; between shareholders of overseas listed foreign-invested shares and shareholders of domestic invested shares, that arise based on the rights and obligations stipulated in the Articles of Association, the Company Law and the relevant laws and administrative regulations, any such disputes or claims shall be referred by the relevant parties to arbitration.

Where a dispute or claim involves the above parties, the entire claim or dispute must be referred to arbitration and all persons (being the Company or shareholders, Directors, Supervisors or senior officers of the Company), who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, shall abide by arbitration.

Disputes regarding definition of shareholders and registration of members may be resolved other than by way of arbitration.

(2) The claimant may refer the arbitration to either the China International Economic Centre in accordance with its arbitration rules, and may also refer the arbitration to the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

(3) If the claimant refers the arbitration to the Hong Kong International Arbitration Centre, either party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(4) Unless otherwise provided in the laws and administrative regulations, any disputes or claims arising out of item (1) above shall be resolved in accordance with the laws of the People's Republic of China (excluding the Special Administrative Region of Hong Kong, the Special Administrative Region of Macau and Taiwan).

(5) The decision made by the arbitral body shall be final and conclusive, and shall be binding on the parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Establishment

Our Company was established on September 29, 2011 with a registered capital of RMB805,557,700, divided into 805,557,700 Domestic Shares with a par value of RMB1.00 each.

Our Company has obtained a certificate of registration of non-Hong Kong Company under Part XVI of the Companies Ordinance issued on February 22, 2018, with a principal place of business at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. Ms. Wong Wai Ling of 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong, a Hong Kong resident, has been appointed as our Company's agent for the acceptance of service of process in Hong Kong.

As our Company was established in the PRC, its corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. Summaries of the principal legal and regulatory provision of the PRC and the Articles of Association are set out in Appendices IV and V to this prospectus.

B. Changes in share capital

Our Company was established on September 29, 2011 as a joint stock company with limited liability with an initial registered capital of RMB805,557,700, divided into 805,557,700 Domestic Shares with a par value of RMB1.00 each.

Upon completion of the Global Offering, but without taking into account any H Shares which may be issued by our Company pursuant to the Over-allotment Option, our registered share capital will be RMB1,074,357,700, made up of 707,518,500 Domestic Shares, 98,039,200 Unlisted Foreign Shares and 268,800,000 H Shares with a nominal value of RMB1.00 each.

Save as disclosed in this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

C. Changes in the share capital of our subsidiaries

On June 26, 2017, the registered capital of Gao County Electricity was reduced from RMB81,100,000 to RMB78,100,000.

Save as disclosed otherwise, there has been no other alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

D. Resolutions of the extraordinary Shareholders' meeting in relation to the Global Offering

On May 16, 2017 and March 27, 2018, the Shareholders approved, among other things, the following resolutions and matters:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each up to 268,800,000 H Shares in total (without taking into account the H Shares which may be issued upon the exercise of the Over-allotment Option) being 268,800,000 H Shares to be offered by our Company and such H Shares be listed on the Stock Exchange, and the issue price of the H Shares will be decided upon completion of the book building process for the Listing;

(b) the granting of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued as mentioned above;

(c) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date; and

(d) authorizing the Board to handle all relevant matters relating to, among other things, the implementation of issue of H Shares and the Listing.

2. FURTHER INFORMATION ABOUT OUR SUBSIDIARIES

A. Further Information about our PRC Subsidiaries

(a) Yibin Electricity

Nature of the company	Domestic enterprise
Term of business operation	From June 18, 2012 to long term
Registered capital	RMB60,000,000
Attributable interest of our Company	100%
Scope of business	Electricity development, production (being valid until November 29, 2028), sales (being valid until March 29, 2027); design, construction, installation and debugging of small and medium-sized power stations; installation, inspection and maintenance of power supply and transformation equipment; professional contracting of power supply and transformation projects; consultation and training of electricity technology; professional contracting of construction, fitment and decoration; sales of electricity equipments and construction materials (excluding pre-licensing and those requiring post-licensing shall operate according to licenses or approvals). (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)
Legal representative	Mr. Feng Yuzhi (馮裕志)

(b) Gao County Electricity

Nature of the company	Domestic enterprise
Term of business operation	From January 30, 1996 to long term
Registered capital	RMB78,100,000
Attributable interest of our Company	100%
Scope of business	Hydroelectric generation, electricity supply; sales, installation and maintenance of electricity equipments; inspection, design, construction and installation of high and low voltage supply and transformation lines; processing of non-standard parts of supply, transformation and distribution sections; household appliances, hardware, needles textiles, stationery commodity, general merchandise and alcohol and tobacco retail. (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)
Legal representative	Mr. Qian Shihong (錢世洪先生)

(c) Gong County Electricity

Nature of the company	Domestic enterprise
Term of business operation	From December 29, 1994 to long term
Registered capital	RMB11,960,000
Attributable interest of our Company	100%

Scope of business	Electricity production and supply; power resource development; packaging, maintenance and testing of supply and distribution projects, high and low voltage equipments, and small-sized hydropower station projects; testing and repair of electric energy measurement devices; sales of electric equipment and materials, construction materials, hardwares and electrical products and pyrite concentrate; manufacture of prefabricated parts (operation shall be in accordance with qualification levels certificate). (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)
Legal representative	Mr. Qiu Ling (邱淩先生)

(d) Pingshan Electricity

Nature of the company	Domestic enterprise
Term of business operation	From July 30, 2008 to long term
Registered capital	RMB111,111,400
Attributable interest of our Company	100%
Scope of business	Electricity supply; hydroelectric generation; installation and maintenance of electric equipments; exploration, design, construction and installation of high and low voltage supply and transformation lines; wholesale and retail of hardware and electric appliances, general merchandise and transformation and distribution equipments; freshwater aquaculture (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities).
Legal representative	Mr. Peng Wanzhang (彭萬章先生)

(e) Junlian Electricity

Nature of the company	Domestic enterprise
Term of business operation	From May 21, 2012 to long term
Registered capital	RMB40,000,000
Attributable interest of our Company	100%
Scope of business	Electricity supply service; purchase and sale, and storage and transportation of electricity supply equipments, maintenance and installation of switch and distribution equipments, exploration, design, construction and installation of high and low voltage supply and transformation lines; processing and manufacture of non-standard parts of supply, transformation and distribution sections, wholesale and retail of household appliances, small hardware and switch and distribution equipments, sales of needles textiles, stationery commodity and general merchandise. (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)
Legal representative	Mr. Wang Yuanchun (汪元春先生)

(f) Xingwen Electricity

Nature of the company	Domestic enterprise
Term of business operation	From April 3, 1998 to long term
Registered capital	RMB32,020,000
Attributable interest of our Company	100%

Scope of business	Development, investment, construction and operation of power source and power grid; production and sales of electric products, sales of electricity-related equipments; project design, construction, installation, overhaul, labor service development, and technical consultation and service; sales of building materials (excluding dangerous chemicals); tourism industry (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)
Legal representative	Mr. Lin Xuechuan (林雪川先生)

(g) ***Electricity Engineering Construction***

Nature of the company	Domestic enterprise
Term of business operation	From November 5, 1996 to long term
Registered capital	RMB20,300,000
Attributable interest of our Company	100%
Scope of business	General construction contracting of electric projects, consultation and exploration and design, overhaul, maintenance, testing and installation of transformation substations of all voltage classes, hydroelectric stations, thermal power stations, supply lines and power distribution projects; detection and verification of electric power measurement equipments; technical consultation service of electric projects; new energy projects; project supervision; production and sales of electric equipments and materials; wholesale and retail of building materials; contracting of building decoration projects, municipal public projects; energy conservation and emission reduction projects; general construction projects; general urban projects; hydro-power projects; environmental projects; property management; office and household appliances; and provision of accommodation; catering; advertising and tourism services. (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)

Legal representative	Mr. Wang Yuanchun (汪元春先生)

(h) Yangliutan Power Generation

Nature of the company	Domestic enterprise
Term of business operation	From July 6, 2004 to long term
Registered capital	RMB10,000,000
Attributable interest of our Company	100%
Scope of business	Hydroelectric generation, wholesale and retail of electric equipment materials.
Legal representative	Mr. Yuan Lin (袁林先生)

(i) Yibin City Electricity Sales

Nature of the company	Domestic enterprise
Term of business operation	From September 28, 2016 to long term
Registered capital	RMB22,000,000
Attributable interest of our Company	74%(1)
Scope of business	Power purchase and sale and its agency business, power distribution network business, contract energy management, value-added business of energy internet, operation of charging stations (piles) and electric vehicles, electrical power engineering, smart energy and carbon asset management. (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)
Legal representative	Mr. Peng Wanzhang (彭萬章先生)

Note 1: The remaining 26% of the equity interest in Yibin Electricity Sales was held by Yibin State-owned Assets Co.,

(j) Yibin Changyuan

Nature of the company	Domestic enterprise
Term of business operation	From November 23, 1998 to long term
Registered capital	RMB5,000,000
Attributable interest of our Company	100%
Scope of business	Installation and maintenance of electricity lines, maintenance of hydropower projects, electricity measurement; catering services (only for Baihua Branch (白花分支機構)); wholesale and retail of electrical materials and equipment and building materials. (Projects subject to approvals according to laws shall operate upon the approval of relevant authorities.)
Legal representative	Mr. Zeng Yi (曾毅先生)

(k) Yuejiang Power Generation

Nature of the company	Domestic enterprise
Term of business operation	From April 26, 2017 to long term
Registered capital	RMB3,000,000
Attributable interest of our Company	100%
Scope of business	Hydroelectric generation and electricity sales. (projects subject to approvals according to laws shall operate upon the approvals of relevant authorities.)
Legal representative	Mr. Qian Shihong (錢世洪先生)

3. FURTHER INFORMATION ABOUT THE BUSINESS

A. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of our Group within the two years preceding the date of this prospectus:

(a) a termination agreement dated August 30, 2017 entered into between our Company and Yibin State-owned Assets Co., pursuant to which our Company and Yibin State-owned Assets Co. agreed to terminate an equity acquisition framework agreement dated March 7, 2012;

(b) a cornerstone investment agreement dated December 12, 2018, entered into by and among our Company, BOCOM International (Asia) Limited, BOCOM International Securities Limited and Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司), pursuant to which Beijing Forever Technology Company Limited* (北京恒華偉業科技股份有限公司) agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of HK$98.0 million (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price;

(c) a cornerstone investment agreement dated December 12, 2018, entered into by and among our Company, BOCOM International (Asia) Limited, BOCOM International Securities Limited and SCIG International Limited (川投國際有限公司), pursuant to which SCIG International Limited (川投國際有限公司) agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of HK$82.0 million (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price;

(d) a cornerstone investment agreement dated December 12, 2018, entered into by and among our Company, BOCOM International (Asia) Limited, BOCOM International Securities Limited and Ninggelang Electric Co., Ltd.* (寧格朗電氣股份有限公司), pursuant to which Ninggelang Electric Co., Ltd.* (寧格朗電氣股份有限公司) agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 2,000 H Shares) which may be purchased with an aggregate amount of RMB2.48 million (inclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at the Offer Price;

(e) a cornerstone investment agreement dated December 12, 2018, entered into by and among our Company, BOCOM International (Asia) Limited, BOCOM International Securities Limited and Sichuan Huadong Electric Group Co., Ltd.* (四川華東電氣集團有限公司), pursuant to which Sichuan Huadong Electric Group Co., Ltd.* (四川華東電氣集團有限公司) agreed to subscribe for 2,000,000 H Shares at the Offer Price;

(f) the Non-competition Agreement; and

(g) the Hong Kong Underwriting Agreement.

B. Our intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, pursuant to the Trademark Licensing Agreement, we are entitled to use the following twenty-one trademarks registered in the PRC:

No.	Trademark	Class	Registration Number	Expiry Date
1	能投 ENERGY INVESTMENT	4	10393325	September 6, 2023
2	能投 ENERGY INVESTMENT	7	10398109	March 13, 2023
3	能投 ENERGY INVESTMENT	9	10393883	March 13, 2023
4	能投 ENERGY INVESTMENT	11	10393951	April 13, 2023
5	能投 ENERGY INVESTMENT	16	10393997	April 13, 2023

No.	Trademark	Class	Registration Number	Expiry Date
6	能投 ENERGY INVESTMENT	35	10394036	April 13, 2023
7	能投 ENERGY INVESTMENT	36	10389208	March 13, 2023
8	能投 ENERGY INVESTMENT	37	10389309	May 6, 2023
9	能投 ENERGY INVESTMENT	39	10389256	March 13, 2023
10	能投 ENERGY INVESTMENT	40	10389365	March 13, 2023
11	能投 ENERGY INVESTMENT	42	10389515	March 13, 2023
12		4	10393122	March 13, 2023
13		7	10398093	April 13, 2023
14		9	10393841	June 20, 2023

No.	Trademark	Class	Registration Number	Expiry Date
15		11	10393937	April 20, 2023
16		16	10393984	March 13, 2023
17		35	10394028	March 13, 2023
18		37	10389296	June 6, 2023
19		39	10389247	June 20, 2023
20		40	10389349	March 13, 2023
21		42	10389484	March 13, 2023

As at the Latest Practicable Date, pursuant to the Trademark Licensing Agreement, we are entitled to use the following two trademarks registered in Hong Kong:

No.	Trademark	Class	Registration Number	Expiry Date
1	能投 ENERGY INVESTMENT	4, 6, 7, 9, 11, 36, 37 and 42	303765448	May 3, 2026
2		4, 6, 7, 9, 11, 36, 37 and 42	303765439	May 3, 2026

(b) Domain names

As at the Latest Practicable Date, we have registered the following domain names, which, in the opinion of our Directors, are material to our business:

No.	Domain Name	Registration Date	Expiration Date
1.	http://www.scntgf.com	April 13, 2016	April 13, 2019

4. FURTHER INFORMATION ABOUT THE DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' service contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, each of our Directors and Supervisors has entered into a service contract with us on November 23, 2018. Each service contract is for a term of three years commencing on the Listing Date.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with our Company or any member of our Group (other than contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

B. Directors' and Supervisors' remuneration

(a) Directors

The aggregate remuneration paid and benefits in kind granted to our Directors for the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 were approximately RMB679,000, RMB911,000, RMB1,564,000 and RMB660,000, respectively. There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 by us to our Directors.

Under the existing arrangements currently in force, the aggregate remuneration payable and benefits in kind granted to our Directors for the year ending December 31, 2018 is estimated to be approximately RMB1.4 million.

Each of our Directors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

(b) Supervisors

The aggregate remuneration paid and benefits in kind granted to our Supervisors for the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 were approximately RMB364,000, RMB643,000, RMB673,000 and RMB416,000, respectively. There has been no arrangement under which a Supervisor has waived or agreed to waive any emoluments for the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018 by us to our Supervisors.

Under the existing arrangements currently in force, the remuneration payable and benefits in kind granted to our Supervisors for the year ending December 31, 2018 is estimated to be approximately RMB0.55 million.

Each of our Supervisors is entitled to reimbursement for all reasonable expenses properly incurred in the performance of his or her duties.

5. DISCLOSURE OF INTERESTS

A. Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, none of our Directors, Supervisors and chief executive has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors).

B. Disclosure of Substantial Shareholders

Save as disclosed in "Substantial Shareholders" in this prospectus, the Directors, Supervisors and chief executive of our Company are not aware of any other person, not being a Director, Supervisor or chief executive of our Company, who has an interest or short position in the Shares and underlying Shares of our Company which, once our H Shares are listed, would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

C. Disclosure of Interests and short positions in associated corporations

Long position in Yibin City Electricity Sales

		As of the Latest Practicable Date		Immediately after the Global Offering	
Name	Capacity/Nature of interest	Amount of registered share capital	Approximate percentage of shareholding	Amount of registered share capital	Approximate percentage of shareholding
Yibin State-owned Assets Co.	Beneficial owner	RMB5,720,000	26%	RMB5,720,000	26%

D. Agency fees or commissions received

Within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company.

E. Disclaimers

Save as disclosed in this prospectus and as at the Latest Practicable Date:

(a) none of our Directors or Supervisors or any of the parties listed in paragraph headed "6. Other Information — E. Qualifications of experts" of this appendix is interested in the promotion of our Company, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business taken as a whole;

(c) save in connection with the Underwriting Agreements, none of the parties listed in paragraph head "6. Other Information — E. Qualifications of experts" of this appendix:

   (i) is interested legally or beneficially in the shares of any member of our Group; or

   (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(d) none of our Directors, Supervisors or their respective close associates, or any of the Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) had any interest in any of our five largest suppliers and our five largest customers during the Track Record Period;

(e) no amount, securities or benefit has been paid, allotted or given within the two years preceding the date of this prospectus to the promoter nor is any such amount, securities or benefit intended to be paid, allotted or given;

(f) none of our Directors or Supervisors is interested in any business which competes or is likely to compete, either directly or indirectly, with our business;

(g) none of our Directors or Supervisors has been paid in cash or shares or otherwise by any person in respect of the three years ended December 31, 2015, 2016 and 2017 and for the six months ended June 30, 2018 as an inducement to join or upon joining our Company, or otherwise for services rendered by him in connection with the promotion or formation of our Company;

(h) none of our Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange; and

(i) none of our Directors, Supervisors or chief executives of our Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 Part XV of the SFO, any interests and short positions in the shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the H Shares are listed on the Stock Exchange.

6. OTHER INFORMATION

A. Estate duty

Our Directors have been advised that no material liability for estate duty under the PRC laws is likely to fall on our Company or any of our subsidiaries.

B. Litigation

As advised by our special PRC litigation counsel and our PRC Legal Advisors, our Directors have confirmed that, as at the Latest Practicable Date, we have not been involved in any litigation, arbitration or administrative proceedings of material importance, and no such other litigation, arbitration or administrative proceedings was known to our Directors to be pending or threatened against any member of our Group.

C. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Our Company has entered into engagement agreements with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of aggregate fees of RMB3.8 million to act as a sole sponsor to our Company in the Global Offering.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares, including any Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

D. Preliminary expenses

Our estimated preliminary expenses are approximately RMB4,626,000, which have been borne by us.

E. Qualifications of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
BOCOM International (Asia) Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	PRC Legal Advisors
Euromonitor	Independent industry consultant
KPMG	Certified Public Accountants
Sichuan Electric Power Design & Consulting Co., Ltd.	Power Grid Consultant
Sichuan Jiudu Law Offices	PRC litigation counsel

F. No material adverse change

Save as disclosed in the sections headed "Summary," "Regulatory Environment," "Business" and "Financial Information" in this prospectus, our Directors have confirmed that there has been no material adverse change in our financial or trading position since June 30, 2018 and up to the date of this prospectus.

G. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as far as is applicable.

H. Consents

Each of BOCOM International (Asia) Limited, Jingtian & Gongcheng, Euromonitor, KPMG, Sichuan Jiudu Law Offices and Sichuan Electric Power Design & Consulting Co., Ltd. has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of any of its reports, letters, certificates or opinions and the references to its name included herein in the form and context in which they are respectively included.

I. Promoters

The promoters of our Company are Hydropower Group, Sichuan Fund, Gao County State-owned Assets Co., Yibin State-owned Assets Co., Xingwen County Urban Construction Co., Sichuan Development Co. and Junlian County State-owned Assets Co..

Save as disclosed in this prospectus, within two years immediately preceding the date of this prospectus, no cash, security or benefit has been paid, allotted or given or is proposed to be paid, allotted or given to our promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

J. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

K. Restrictions on share repurchase

Please see the section headed "Appendix IV — Summary of Principal Legal and Regulatory Provisions — Purchase of Shares" in this prospectus for details.

L. Miscellaneous

(a) Save as disclosed in this prospectus:

(i) within the two years immediately preceding the date of this prospectus, no share or loan capital of any member of our Group has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of any member of our Group is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no member of our Group has issued or agreed to issue any founder shares, management shares or deferred shares;

(iv) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any of the shares or loan capital of us or any of our subsidiaries;

(v) none of our equity or debt securities is currently listed or dealt in on any other stock exchange nor is any listing or permission to deal in such securities being or proposed to be sought;

(vi) there is no arrangement under which future dividends are waived or agreed to be waived;

(vii) no member of our Group has issued or agreed to issue any debentures; and

(viii) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months.

(b) We have no outstanding convertible debt securities or debentures.

Our Company is a joint stock limited company (sino-foreign investment) and is subject to the foreign investment related laws and regulations of the PRC.

M. Taxation of holders of H shares

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale, purchase and transfer of the H Shares. The duty is charged on each of the seller and purchaser at the current rate of HK$1.00 for every HK$1,000.00 of the consideration or, if higher, the fair value if the H Shares being sold or transferred.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE** and **YELLOW** and **GREEN** Application Forms, the written consents referred to under the paragraph headed "6. Other Information — H. Consents" in Appendix VI to this prospectus, certified copies of the material contracts referred to in the paragraph headed "3. Further Information about the Business — A. Summary of material contracts" in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Luk & Partners in Association with Morgan, Lewis & Bockius at Suites 1902-09, 19th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Articles of Association;

(b) the Accountants' Report from KPMG in respect of the historical financial information of our Group, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements of our Group for each of the three financial years ended December 31, 2015, 2016 and 2017 and the six months ended June 30, 2018;

(d) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;

(e) copies of the PRC Company Law, the Mandatory Provisions and the Special Regulations, together with unofficial English translations thereof;

(f) the PRC legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group and the property interests of our Group in the PRC and summary of PRC laws and regulations relating to our business;

(g) the Industry Report;

(h) the Power Grid Report;

(i) the material contracts referred to in the paragraph headed "3. Further Information about the Business — A. Summary of material contracts" in Appendix VI to this prospectus;

(j) the written consents referred to in the paragraph headed "6. Other Information — H. Consents" in Appendix VI to this prospectus;

(k) the service contracts referred to in the paragraph headed "4. Further Information about our Directors and Supervisors — A. Particulars of Directors' and Supervisors' service contracts" in Appendix VI to this prospectus; and

(l) the PRC legal opinions issued by Sichuan Jiudu Law Offices on certain specific litigation matters.