

IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached preliminary offering circular (the “**Offering Circular**”). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the company as a result of such access. In order to be eligible to view the attached Offering Circular or make an investment decision with respect to the securities, investors must be outside the United States (as defined under Regulation S under the United States Securities Act of 1933, as amended (the “**Securities Act**”)).

Confirmation of your representation: This Offering Circular is being sent to you at your request and by accepting the e-mail and accessing the attached Offering Circular, you shall be deemed to represent to the Issuer, the Guarantor and the Managers (all as defined in the attached Offering Circular) that (1) you and any customers you represent are outside the United States and that the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission; and (4) to the extent you purchase the Securities, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Issuer, the Guarantor, the Managers, the Trustee (as defined in the attached Offering Circular), the Agents (as defined in the attached Offering Circular) or any of their respective affiliates, directors, officers, employees, representatives, agents and each person who controls the Issuer, the Guarantor, the Managers, the Trustee, the Agents or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version available to you upon request from the Issuer, the Guarantor and the Managers.

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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

Nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Guarantor or any Manager to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the Managers or any affiliate is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Manager or such affiliate on behalf of the Issuer in such jurisdiction. The Offering Circular and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached Offering Circular.

Actions that you may not take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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

The information contained in this preliminary offering circular is subject to completion and amendment in the final offering circular. This preliminary offering circular is not an offer to sell securities nor is it soliciting an offer to buy securities in any jurisdiction where such offer or sale is not permitted. No offer or invitation shall be made or received, and no agreement shall be made, on the basis of this preliminary offering circular, to purchase or subscribe for any Bonds.

**PRELIMINARY OFFERING CIRCULAR DATED 17 NOVEMBER 2018 STRICTLY CONFIDENTIAL
SUBJECT TO COMPLETION**

YUNNAN ENERGY INVESTMENT OVERSEAS FINANCE COMPANY LTD.

(incorporated in the British Virgin Islands with limited liability)

**US\$[●] [●] PER CENT. GUARANTEED BONDS DUE [●]
unconditionally and irrevocably guaranteed by**



云南省能源投资集团有限公司
YUNNAN PROVINCIAL ENERGY INVESTMENT GROUP CO., LTD.

YUNNAN PROVINCIAL ENERGY INVESTMENT GROUP CO., LTD.

(雲南省能源投資集團有限公司)

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

ISSUE PRICE: [●] PER CENT.

The [●] per cent. guaranteed bonds in the aggregate principal amount of U.S.\$ [●] due [●] (the “**Bonds**”) will be issued by Yunnan Energy Investment Overseas Finance Company Ltd. (the “**Issuer**”). The Bonds will be unconditionally and irrevocably guaranteed (the “**Guarantee**”) by Yunnan Provincial Energy Investment Group Co., Ltd. (雲南省能源投資集團有限公司) (the “**Guarantor**”). The Issuer is a wholly-owned subsidiary of the Guarantor.

The Bonds will bear interest on their outstanding principal amount from and including [●] 2018 (the “**Issue Date**”) at the rate of [●] per cent. per annum. Interest on the Bonds is payable semi-annually in arrear on [●] and [●] each year, commencing on [●] 2019. Unless previously redeemed or purchased and cancelled, the Bonds will mature on [●] at their principal amount.

The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall at all times rank at least equally with all other present and future unsubordinated and unsecured obligations of the Issuer, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds. Payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee will be made free and clear of, and without withholding or deduction for any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC to the extent described in “*Terms and Conditions of the Bonds – Taxation*”.

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on [●] (the “**Maturity Date**”). At any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders and the Trustee (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, the Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time at their principal amount together with accrued but unpaid interest up to, but excluding, the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that the Issuer has or will become obliged to pay Additional Tax Amounts (as defined in the Terms and Conditions of the Bonds) as a result of any change in, or amendment to, the laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after [●] 2018, and such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it. At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of any Bonds will have the right, at such holder’s option, to require the Issuer to redeem all, but not some only, of that holder’s Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to, but excluding, the Put Settlement Date. See “*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*”.

The Guarantor has made an application for the pre-issuance registration (the “**Pre-Issuance Registration**”) in relation to the Bonds with the National Development and Reform Commission (the “**NDRC**”) in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (Fa Gai Wai Zi [2015] No. 2044) (the “**NDRC Notice**”) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by the NDRC which came into effect on 14 September 2015. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 7 August 2018 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Notice, the Guarantor will be required to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days (as defined in “*Terms and Conditions of the Bonds*”) after the Issue Date (the “**Post-Issuance Filing**”).

The Guarantor will enter into a deed of guarantee (the “**Deed of Guarantee**”) with Citicorp International Limited (the “**Trustee**”) on or around the Issue Date. The Guarantor will be required to register or cause to be registered with the Yunnan Branch (or other relevant branch) of the State Administration of Foreign Exchange (“**SAFE**”), the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). The Guarantor shall submit for registration the Deed of Guarantee within 15 PRC Business Days after execution of the Deed of Guarantee. The Guarantor intends to complete the Cross-Border Security Registration with SAFE as soon as practicable and in any event before the Registration Deadline (being the day falling 120 PRC Business Days after the Issue Date) and comply with all applicable PRC laws and regulations in relation to the Guarantee.

The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Investing in the Bonds involves certain risks. See “*Risk Factors*” beginning on page 12 for a discussion of certain risk factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantees have not been and will not be registered under the United States Securities Act of 1933, as amended (the “Securities Act**”) and, subject to certain exceptions, may not be offered or sold within the United States except pursuant to any exemption from, or in a transaction not subject to, the registration requirement of the Securities Act. For a description of these and certain restrictions on offers and sales of the Bonds and the Guarantees and the distribution of this offering circular, see “*Subscription and Sale*”.**

The denomination of the Bonds shall be US\$200,000 each and integral multiples of US\$1,000 in excess thereof.

Application will be made to The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, “**Professional Investors**”) only. This document is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

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

The Bonds will be represented initially by beneficial interests in a global certificate (the “**Global Certificate**”) in registered form which will be registered in the name of a nominee of, and shall be deposited on or about [●] 2018 with, a common depositary for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Fitch Ratings Inc. (“**Fitch**”) has assigned a corporate rating of BBB with a stable outlook to the Guarantor. The Bonds are expected to be rated BBB by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Citigroup

HSBC

BOC International

Joint Bookrunners and Joint Lead Managers

**Guotai Junan
International**

**Silk Road
International**

CCB International

**Southwest Securities
International**

**BOCOM
International**

NOTICE TO INVESTORS

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

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to Yunnan Energy Investment Overseas Finance Company Ltd. (the "**Issuer**"), Yunnan Provincial Energy Investment Group Co., Ltd. (雲南省能源投資集團有限公司) (the "**Guarantor**") and the Group, the Bonds and the Guarantee which is material in the context of the issue and offering of the Bonds (including all information required by applicable laws and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds and the Guarantee); (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and the Group, are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Issuer, the Guarantor and the Group, the Guarantee or the Bonds the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain such facts and to verify the accuracy of all such information and statements.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. Each of Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading. The contents of this Offering Circular have not been reviewed by any regulatory authority in Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offering of the Bonds. If Investors are in any doubt about any of the contents of the Offering Circular, they should obtain independent professional advice.

This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Guotai Junan Securities (Hong Kong) Limited, Silk Road International Capital Limited, CCB International Capital Limited, Southwest Securities (HK) Brokerage Limited and BOCOM International Securities Limited (the "**Managers**") to inform themselves about and to observe any such restrictions. Neither the Issuer, the Guarantor nor any of the Managers represents that this Offering Circular may be lawfully distributed, or that the Bonds may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the circulation of documents relating thereto, in certain jurisdictions including the United States, the United Kingdom, the PRC, Hong Kong, Singapore, Taiwan, the British Virgin Islands and Republic of Italy, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*".

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group, the Bonds, the Guarantees other than as contained herein and, if given or made, any

such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Managers, the Trustee or the Agents (as defined in the “Terms and Conditions of the Bonds”) or any of their respective affiliates, directors, officers, employees, agents, representatives, advisers and each person who controls any of them. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Managers, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

This Offering Circular is highly confidential and has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds described herein. The Issuer has submitted this Offering Circular confidentially to a limited number of institutional investors so that they can consider a purchase of the Bonds. Neither the Issuer or the Guarantor has authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

No representation, undertaking or warranty, express or implied, is made or given and no responsibility or liability is accepted, by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them). None of the Managers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) has independently verified any of the information contained in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

To the fullest extent permitted by law, the Managers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) do not accept any responsibility for the contents of this Offering Circular and assumes no responsibility for the contents, accuracy, completeness or sufficiency of any of such information or for any other statement, made or purported to be made by the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) or on their behalf in connection with the Issuer or the issue and offering of the Bonds. Each of the Managers, the Trustee and the Agents and their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Managers, the Trustee and the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investors in the Bonds of any information coming to the attention of the Managers, the Trustee or any Agent or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Managers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents, advisers and each person who controls any of them) that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee or the Agents (or any of their respective affiliates, directors,

officers, employees, representatives, agents, advisers and each person who controls any of them) in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the merits and risks involved in investing in the Bonds. See “*Risk Factors*” for a discussion of certain factors to be considered in connection with an investment in the Bonds.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE MANAGERS APPOINTED AND ACTING IN ITS CAPACITY AS THE STABILISING MANAGER (EACH, A “STABILISING MANAGER”) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT THE BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND SUCH STABILISING, IF COMMENCED, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. SUCH STABILISING ACTION SHALL BE IN COMPLIANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

The Bonds and the Guarantees have not been and will not be registered with the United States Securities and Exchange Commission under the Securities Act or with any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor and the Group and the terms of the offering of the Bonds, including the merits and risks involved. See “*Risk Factors*”. Investors are advised to read and understand the contents of this Offering Circular before investing and consult their attorney and adviser if in doubt.

Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the merits of the Issuer, the Guarantor, the Group or the Bonds. The Issuer, the Guarantor, the Group, the Managers, the Trustee, the Agents and their respective directors, officers, employees, representatives, advisers, agents and affiliates are not making any representation to any purchaser of Bonds regarding the legality of any investment in the Bonds by such purchaser under any legal investment or similar laws or regulations. The contents of this Offering Circular should not be construed as providing legal, business, accounting or investment advice. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers, the Trustee, the Agents or any of their respective directors, officers, employees, representatives, agents or affiliates in connection with its investigation of the accuracy of such information or its investment decision.

Industry and Market Data

Market data and certain industry forecasts and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although the Issuer and the Guarantor believe this information to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, advisers, agents or affiliates, and none of the Issuer, the Guarantor, the Managers, the Trustee, the Agents or their respective directors, officers, employees, representatives, advisers, agents or affiliates makes any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. This Offering Circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents.

Presentation of Financial Information

The consolidated financial information of the Guarantor as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2017 and 2018 included in this Offering Circular has been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017 ("**Guarantor's Audited Consolidated Financial Statements**") and unaudited but reviewed consolidated financial statements as at and for the six months ended 30 June 2018 ("**Guarantor's Reviewed Consolidated Financial Statements**", together with the Guarantor's Audited Consolidated Financial Statements, "**Guarantor's Consolidated Financial Statements**"), which are included elsewhere in this Offering Circular. The consolidated financial statements of the Guarantor as at and for the year ended 31 December 2017 have been audited by ShineWing Certified Public Accountants ("**ShineWing**"), an independent auditors of the Guarantor. The consolidated financial statements of the Guarantor as at and for the year ended 31 December 2017 contains certain adjusted comparative information as at and for the year ended 31 December 2016 and prospective investors should refer to the explanatory notes to the financial statements as at and for the year ended 31 December 2017 for more details about the restatements. The consolidated financial statements for the year ended 31 December 2016 as originally stated were audited by Union Power Certified Public Accountants (Special General Partnership) (previously known as "China Audit Asia Pacific Certified Public Accountants LLP") ("**Union Power**"), the former independent auditors of the Guarantor. The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017 were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**") in accordance with Auditing Standards for Certified Public Accountants in China. PRC GAAP differs in certain respects from International Financial Reporting Standards ("**IFRS**"). See "*Description of Certain Differences Between PRC GAAP and IFRS*".

In preparing the Company's 2017 Consolidated Financial Statements, certain adjustments and restatements were made to the Company's audited consolidated financial information as at and for the years ended 31 December 2016 and 2017.

The Guarantor's Reviewed Consolidated Financial Statements have been prepared and presented in accordance with PRC GAAP and reviewed by ShineWing in accordance with the China CPA Review No.2101 – Financial Statements Review. Such unaudited but reviewed consolidated interim financial information has not been audited and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. Potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition or results of operations. Such unaudited consolidated interim financial information as at and for the six months ended 30 June 2018 should not be taken as an indication of the expected financial condition and results of operations for the Issuer or the Group for the full financial year ending 31 December 2018.

Each of the Guarantor's Consolidated Financial Statements have been prepared in Chinese only and an English translation of such financial statements (collectively, "**Financial Statements Translation**") has been prepared and included in this Offering Circular for reference only. None of the Managers or their respective affiliates, directors, employees and advisers has independently verified or checked the accuracy of the Financial Statements Translation and can give no assurance that the information contained in the Financial Statements Translation is accurate, truthful or complete.

Rounding

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

Certain Definitions and Conventions

In this Offering Circular, unless otherwise specified or the context otherwise requires, references to:

- "China" or the "PRC" are to the People's Republic of China and, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
- "Hong Kong" are to the Hong Kong Special Administrative Region of China;
- "Hong Kong dollars" or "HK\$" are to the lawful currency of Hong Kong;

- “PRC Government” are to the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or where the context requires, any of them;
- “Renminbi” or “RMB” are to the lawful currency of the PRC;
- “US dollars” or “US\$” are to the lawful currency of the United States of America;
- “Yunnan Provincial Government” are to the Yunnan Provincial People’s Government;
- “Yunnan SASAC” are to the State-owned Assets Supervision and Administration Commission of Yunnan Province; and
- “2015”, “2016” and “2017” are to the Guarantor’s financial years ended 31 December 2015, 2016 and 2017, respectively.

In this Offering Circular, “kW” is the abbreviation for kilowatt, “kWh” is the abbreviation for kilowatt-hour, “MW” is the abbreviation for megawatt, “MWh” is the abbreviation for megawatt-hour, “GW” is the abbreviation for gigawatt, and “GWh” is the abbreviation for gigawatt-hour.

In this Offering Circular and unless context indicates otherwise, “consolidated installed capacity” represents 100.0 per cent. of the installed capacity of a power project controlled by the Guarantor; and “attributable installed capacity” represents the installed capacity of a power project in which the Group has a non-controlling equity interest multiplied by the Group’s ownership percentage in this project.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

Unless indicated otherwise, the translation of Renminbi amounts into U.S. dollars amounts has been made at the rate of RMB6.6171 to US\$1.00 (the noon buying rate in New York City on 29 June 2018 as set forth in the weekly H.10 statistical release of the Federal Reserve Board of the Federal Reserve Bank of New York). These translations should not be construed as representations that the Renminbi amounts could actually be converted into any U.S. dollars amounts at the rates indicated or at all. Historical amounts translated into Renminbi have been translated at historical rates of exchange. Such translations should not be construed as representations that the amounts referred to herein could have been or could be converted into Renminbi at those rates or any other rate at all. For further information relating to exchange rates, see “*Exchange Rate Information*”.

FORWARD-LOOKING STATEMENTS

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

- the Group's business and operating strategies;
- the Group's capital commitment and development plans;
- the amount and nature of, and potential for, future development of the Group's business;
- various business opportunities that the Group may pursue;
- the regulatory environment of the industries in which the Group operates;
- changes in political, economic, legal and social conditions, in particular in the PRC, including the specific policies of the PRC central and local governments affecting the regions where the Group operates;
- the prospective financial condition and performance regarding the Group's businesses;
- availability and costs of financing;
- changes in competitive conditions and the Group's ability to compete under these conditions;
- the Group's ability to obtain additional capital on acceptable terms;
- reduction or discontinuance of the government subsidies and other government grants or the mismatch in terms of timing of the availability of the government fiscal support and that of the Group's cash flow requirement; and
- other risks identified in "Risk Factors" in this Offering Circular.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions are intended to identify a number of these forward-looking statements. The Issuer, the Guarantor and each other member of the Group 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 Offering Circular might not occur and the actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer and the Guarantor expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

TABLE OF CONTENTS

	Page
SUMMARY	1
SUMMARY OF THE OFFERING	5
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR	8
RISK FACTORS	12
USE OF PROCEEDS	37
EXCHANGE RATE INFORMATION	38
CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR	40
TERMS AND CONDITIONS OF THE BONDS	41
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	57
DESCRIPTION OF THE ISSUER	59
DESCRIPTION OF THE GROUP	60
DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR	89
PRINCIPAL SHAREHOLDERS	96
PRC REGULATIONS	97
TAXATION	107
DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS	110
SUBSCRIPTION AND SALE	112
GENERAL INFORMATION	116
INDEX TO FINANCIAL STATEMENTS	F-1

SUMMARY

The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Bonds. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled “Risk Factors” and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

The Group is a leading state-owned energy company based in Yunnan Province. It was established by the Yunnan Provincial Government in 2012 in accordance with the Approval for Establishing Yunnan Provincial Energy Investment Group Co., Ltd. (Yun Zheng Fu [2012] No.4) (《雲南省人民政府關於同意組建雲南省能源投資集團有限公司的批復》(雲政複[2012] 4號)). In 2013, the Group was listed as one of the key state-owned enterprises in Yunnan Province. It has also been designated by the Yunnan Provincial Government as its sole strategic platform to engage in the investment, development and integration of the energy sector in Yunnan Province.

The Group focuses on the investment and development of the energy sector in Yunnan Province and has primarily engaged in power generation and sales, natural gas operations, coal production and sales as well as resources trading. Over the last five years, the Group has diversified its businesses into financial services, development and management of industrial parks, energy technology and salt and chemical production. In addition, even though a substantial proportion of the Group’s operations and investments are conducted in Yunnan Province, the Group has since 2013 gradually expanded its business overseas.

The Guarantor, through its 185 subsidiaries and 64 investment companies (in which the Guarantor holds non-controlling interests) including joint venture companies, has invested in a diversified portfolio of hydropower, fossil fuel, wind power, natural gas, solar and other new energy projects that are of strategic importance to the economic and urban development of Yunnan Province. As at 30 June 2018, the Group held controlling interests in 13 hydropower stations (all of which are in operation), two fossil fuel power stations (one of which are in operation), ten wind farm projects (seven of which are in operation), one gas power station, as well as two solar power and waste-to-energy demonstration power projects (both of which are in operation) in Yunnan Province, and the consolidated installed capacity of these power stations in operation was 2,194.9 MW. In addition, as at 30 June 2018, the Group held non-controlling interests in 17 power companies, including 11 hydropower companies and six fossil fuel power companies. As at 30 June 2018, the total attributable installed capacity of the power stations operated by these investment companies was 12,922.7 MW. The investment income distributed by the Group’s investment companies has historically contributed to a substantial portion of the Group’s revenue and profit.

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the revenue of the Group was RMB41,865.7 million, RMB60,103.7 million, RMB74,973.6 million and RMB38,241.0 million, respectively. The table below sets forth the revenue from each business segment of the Group both as an absolute amount and as a percentage of the Group's revenue during the periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2015		2016		2017		2018	
	(audited)		(audited and adjusted) ⁽¹⁾		(audited)		(unaudited)	
	Amount (RMB million)	Per cent. of total	Amount (RMB million)	Per cent. of total	Amount (RMB million)	Per cent. of total	Amount (RMB million)	Per cent. of total
Energy business ⁽²⁾	38,514.4	92.0	49,917.8	83.1%	67,463.5	90.0	34,504.6	90.2
Power generation and sales	2,220.6	5.3	1,609.7	2.7%	1,328.1	1.8	944.8	2.5
Natural gas operations	62.3	0.1	78.2	0.1%	172.9	0.2	121.9	0.3
Coal production and sales	20.7	0.0	9.7	0.0%	51.8	0.1	37.8	0.1
Resources trading	36,210.8	86.5	48,220.2	80.2%	65,910.7	87.9	33,400.1	87.3
Financial services ⁽³⁾	29.5	0.1	123.2	0.2%	123.9	0.2	121.7	0.3
Integrated businesses ⁽⁴⁾	535.5	1.3	2,137.1	3.6%	5,205.9	6.9	2,448.3	6.4
Investment income ⁽⁵⁾⁽⁶⁾	2,319.3	5.5	7,546.6	12.6%	2,025.4	2.7	1,166.5	3.1
Interest income ⁽⁷⁾	467.0	1.1	379.0	0.6%	154.9	0.2	0.0	0.0
Total	41,865.7	100.0	60,103.7	100.0	74,973.6	100.0	38,241.0	100.0

Notes:

- (1) The Guarantor's consolidated revenue breakdown as at 31 December 2016 included in its audited consolidated financial statements as at and for the year ended 31 December 2016 has been adjusted to reflect certain adjustments as detailed in notes (5) on page F-229. The Guarantor's consolidated revenue breakdown as at 31 December 2016 contained in the audited consolidated financial statements as at and for the year ended 31 December 2015 has not been revised to reflect such adjustments. Potential investors must exercise caution when using the Guarantor's historical financial information to evaluate the financial condition and results of operations of the Guarantor.
- (2) Revenue from the energy business includes revenue from the renewable energy projects operated by the Guarantor. For details, please see "Description of the Group – Description of the Group's Business – Energy Business – Power Generation and Sales – Renewable energy projects".
- (3) Revenue from financial services represents fees from providing financial consultancy services, interest income from entrusted loans, investment income from equity and fund investments, rental income from financial leasing and income from factoring services.
- (4) Revenue from integrated businesses represents the income from investment, development and management of industrial parks, energy technology business, production and sale of salt, salt-related products, chlor-alkali chemical and its related products and engineering construction. The Guarantor acquired a controlling interest in Yunnan Salt & Chemical Industry Co., Ltd. (雲南鹽化股份有限公司) in October 2015 (now known as Yunnan Energy Investment Co., Ltd (雲南能源投資股份有限公司)), following which the financial statements of Yunnan Salt & Chemical Industry Co., Ltd. were consolidated into the financial statements of the Group. For details about the acquisition and Yunnan Salt's business, see "Description of the Group – Description of the Group's Businesses – Integrated Businesses – Salt Business".
- (5) Investment income represents the dividend income of the Group received from its investment companies in which the Group holds non-controlling interests. Given the nature of the Guarantor as an investment vehicle, carrying out investments constitutes one of its main business activities. The Group's management considers it appropriate to include such investment income in its revenue.
- (6) The increase in the Group's investment income during the year ended 31 December 2016 was largely due to its sale of a 15 per cent. interest in Three Gorges Jinsha River Chuanyun Hydropower Development Co., Ltd. (三峽金沙江川雲水電開發有限公司) to China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) in March 2016, resulting in RMB6,430.2 million of investment income.
- (7) Interest income represents primarily the interest payment received by the Guarantor on the loans granted to its investment companies engaged in the energy business. As those loans generally do not have a maturity date, such interest income is deemed to be a dividend distribution by the relevant investment companies and is included in the Group's revenue.

The Guarantor was established on 27 February 2012 and is beneficially controlled by Yunnan SASAC. Upon its establishment, the Guarantor was transferred, at book value, all of the hydro and equity assets of Yunnan Provincial Investment Holdings Group Co., Ltd. (雲南省投資控股集團有限公司) (an investment vehicle of the Yunnan Provincial Government) with the approval of the Yunnan Provincial Government. As at 30 June 2018, the Guarantor had a registered capital of RMB11,660.0 million and total assets of RMB121,421.2 million. The

Group has been tasked to represent the Yunnan Provincial Government to invest in energy projects and create a platform for implementing the Yunnan Provincial Government's strategies on the exploitation and development of energy resources in Yunnan Province as well as investment in and cooperation with Southeast Asian nations on opportunities in the energy sector.

RECENT DEVELOPMENTS

On 9 July 2018 and 24 August 2018, respectively, the Guarantor issued two series of short-term commercial paper ("CPs") in the PRC in the amount of RMB1 billion for each series. The maturity dates of the two series of CPs are 11 July 2019 and 28 August 2019 respectively.

On 8 August 2018 and 22 October 2018, respectively, the Guarantor issued two series of super and short-term commercial paper ("SCPs") in the PRC in the amounts of RMB1 billion and RMB2 billion, respectively. The maturity dates for the two series of SCPs are 7 May 2019 and 23 December 2018 respectively.

On 25 September 2018, the Guarantor issued medium-term notes in the PRC in the amount of RMB2 billion. The maturity of the medium-term notes is 27 September 2021.

COMPETITIVE STRENGTHS

The Group believes that its success is primarily attributable to the following key competitive strengths:

- Sole investment platform to implement the energy strategies of the Yunnan Provincial Government
- Strong governmental support together with the Group's five "provincial-level platform" companies
- Strategies of the Group highly aligned with the PRC Government's energy strategies adopted at both the national and provincial levels
- Well-positioned to capture the growth opportunities in the development of clean energy sector with a diversified portfolio of high-quality clean energy assets
- Access to broad financing channels which helps to secure adequate capital resources and achieve optimal capital structure
- Sound corporate governance implemented by a team of dedicated and experienced senior management

BUSINESS STRATEGIES

The Group's goal is to become a multi-national corporation with competitive advantages in the PRC's energy sector and a fully integrated energy industry value chain. The Group intends to implement the following business strategies to achieve its goal:

- Continue to focus on the energy sector and enhance its industry competitiveness
- Actively participate in the "One Belt, One Road" initiative to increase investment in and cooperation with Southeast Asian nations
- Continue to develop its diversified business portfolio
- Continue to increase investment in clean energy sector
- Continue to adhere to prudent financial policies with stringent risk control and enhanced financial management

The Issuer is a limited liability company incorporated in the British Virgin Islands on 21 September 2016. Its registered office is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the issue of its US\$310 million 3.500 per cent. guaranteed bonds due 2019 and US\$130 million 4.250 per cent. Guaranteed bonds due 2021, each issued in December 2016 (“**December 2016 Bonds**”), its US\$300 million 3.750 per cent. guaranteed bonds due 2020 and US\$300 million 4.250 per cent. guaranteed bonds due 2022, each issued in November 2017 (“**November 2017 Bonds**”) and on-lending of the proceeds thereof to the Group and the proposed issue of the Bonds and on-lending of the proceeds thereof to the Group. As at the date of this Offering Circular, other than the December 2016 Bonds and the November 2017 Bonds, the Issuer has no outstanding borrowings or contingent liabilities nor subsidiaries or employees.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of the offering of the Bonds and is qualified in its entirety by the remainder of this Offering Circular. For a more complete description of the Terms and Conditions of the Bonds, see “Terms and Conditions of the Bonds” and “Summary of Provisions Relating to the Bonds in Global Form”. Some of the terms described below are subject to important limitations and exceptions. Defined terms used in this summary shall have the meanings given to them in “Terms and Conditions of the Bonds”.

Issuer	Yunnan Energy Investment Overseas Finance Company Ltd. (Legal Entity Identifier: 254900HC6YNQ5FVRFS09)
Guarantor	Yunnan Provincial Energy Investment Group Co., Ltd. (雲南省能源投資集團有限公司)
Guarantees	The Guarantor will unconditionally and irrevocably guarantee the due payment in full of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Guarantor’s obligations in respect of the Bonds and the Trust Deed will be contained in the Deeds of Guarantee (and any supplements thereto).
Issue	US\$[●] in aggregate principal amount of [●] per cent. guaranteed bonds due [●].
Issue Price	[●] per cent.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of US\$200,000 each and integral multiples of US\$1,000 in excess thereof.
Interest	The Bonds will bear interest from and including [●] 2018 at the rate of [●] per cent. per annum, payable semi-annually in arrear in equal instalments of US\$[●] per Calculation Amount (as defined in the Terms and Conditions) on [●] and [●] in each year commencing on [●] 2019.
Issue Date	[●] 2018.
Maturity Date	[●].
Status of the Bonds	The Bonds will constitute direct, unconditional, unsubordinated and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer’s other present and future unsecured and unsubordinated obligations.
Status of the Guarantees	The obligations of the Guarantor under the Deeds of Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Guarantor’s other present and future unsecured and unsubordinated obligations.
Negative Pledge	The Bonds contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.

Events of Default

The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.

Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or, in any such case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law, as further described in Condition 8 of the Terms and Conditions of the Bonds. In such event, the Issuer or, as the case may be, the Guarantor shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in the receipt by the Bondholders of the Bonds of such amount as would have been received by them had no such withholding or deduction been required.

Final Redemption

Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on Maturity Date. The Bonds may not be redeemed at the option of the Issuer other than in accordance with Condition 6 (Redemption and Purchase) of the Terms and Conditions of the Bonds.

Redemption for Tax Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders and the Trustee (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with interest accrued but unpaid interest up to, but excluding the date fixed for redemption, in the event of certain changes affecting taxes of the British Virgin Islands or the PRC or any political subdivision or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), as further described in Condition 6(b) of the Terms and Conditions of the Bonds.

Redemption for Relevant Events

At any time following the occurrence of a Change of Control or a No Registration Event (each a **"Relevant Event"**), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See *"Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events"*.

Clearing Systems

The Bonds will be issued in registered form and represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global

Certificate and this Offering Circular, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.

Clearance and Settlement

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 191261135 and the International Securities Identification Number for the Bonds is XS1912611354.

Governing Law

English law.

Rating

Fitch has assigned a corporate rating of BBB with a stable outlook to the Guarantor. The Bonds are expected to be rated BBB by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Trustee

Citicorp International Limited.

Principal Paying Agent and Transfer Agent

Citibank, N.A., London Branch.

Registrar

Citibank, N.A., London Branch.

Listing

Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.

Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, issue price and first payment of interest on them and, to the extent necessary, certain transfer restrictions as a result of applicable securities law) and so that such further issue shall be consolidated and form a single series with the Bonds, as further described in Condition 13 of the Terms and Conditions of the Bonds.

Use of Proceeds

See “*Use of Proceeds*”.

Risk Factors

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

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GUARANTOR

The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2015, 2016 and 2017 and as at and for the six months ended 30 June 2017 and 2018, as set forth below, has been extracted from the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017 and unaudited consolidated financial statements as at and for the six months ended 30 June 2018, respectively, which are included elsewhere in this Offering Circular. The Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2016 and 2017 were prepared and presented in accordance with PRC GAAP and have been audited by Union Power (2016) and ShineWing (2017) in accordance with Auditing Standards for Certified Public Accountants in China. The Guarantor's unaudited consolidated financial statements as at and for the six months ended 30 June 2018 have been prepared and presented in accordance with PRC GAAP and reviewed by ShineWing in accordance with China CPA Review No.2101 – Financial Statements Review. PRC GAAP differs in certain respects from IFRS. See “Summary of Certain Differences Between PRC GAAP and IFRS”.

In preparing the Company's 2017 Consolidated Financial Statements, certain adjustments and restatements were made to the Company's audited consolidated financial information as at and for the years ended 31 December 2016 and 2017.

Reviewed interim consolidated financial information should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit. Potential purchasers must exercise caution when using such data to evaluate the Guarantor's financial condition and results of operations. The reviewed interim consolidated financial information of the Guarantor as at and for the six months ended 30 June 2018 should not be taken as an indication of its expected financial condition or results of operations for the full financial year ending 31 December 2018.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in their entirety by reference to, the relevant consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular. Historical results of the Guarantor are not necessarily indicative of results that may be achieved for any future period.

SUMMARY CONSOLIDATED INCOME STATEMENT DATA

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	(audited)	(audited and adjusted) ⁽¹⁾	(audited)	(unaudited)	(unaudited)
	(RMB in million)				
Revenue	41,865.7	60,103.7	74,973.6	30,507.4	38,240.1
Operating cost	(39,426.1)	(56,001.6)	74,062.8	(30,039.0)	(37,600.1)
Sales tax and additions	(64.7)	(95.4)	154.1	(50.0)	(60.3)
Selling expenses	(134.0)	(404.4)	647.0	(212.8)	(261.8)
Administrative expense	(447.4)	(939.8)	1,066.5	(403.3)	(470.7)
Finance expenses	(361.8)	(1,783.1)	1,901.8	(895.3)	(1,131.4)
Impairment losses of assets	(104.8)	(2,381.4)	62.2	(19.1)	(80.9)
Gain/(Loss) from change in fair value	(6.1)	(16.9)	(9.0)	18.9	31.3
Loss from disposal of assets	–	–	0.5	–	0.1
Other income	–	–	88.9	4.0	11.7
Operating profit	1,320.9	4,085.1	990.2	491.2	684.1
Non-operating income	56.3	89.1	148.8	40.1	8.7
Non-operating expenses	(16.41)	(183.4)	(54.5)	(2.9)	(5.6)
Profit before tax	1,360.8	3,990.8	1,084.4	528.4	687.2
Income tax expenses	(78.9)	(169.6)	226.8	(74.8)	(124.8)
Net profit	1,281.9	3,821.2	857.6	453.6	562.4
Net profit attributable to parent company	1,148.1	4,474.8	643.7	365.9	398.3
Minority interests	133.8	(653.6)	213.9	87.7	164.1

SUMMARY CONSOLIDATED BALANCE SHEET DATA

	As at 31 December			As at 30 June 2018
	2015 (audited)	2016 (audited and adjusted) ⁽¹⁾ (RMB in million)	2017 (audited)	(unaudited)
Assets				
Current Assets				
Monetary capital	12,475.5	7,459.2	11,482.4	10,570.3
Financial assets held for trading	59.8	124.2	88.4	54.2
Notes receivables	94.3	101.5	199.6	322.3
Accounts receivable	1,972.8	2,543.0	3,044.1	4,991.4
Advances to suppliers	803.9	2,887.9	1,781.7	5,008.6
Interest receivable	37.8	45.1	115.9	189.4
Dividend receivable	53.2	43.2	96.7	81.8
Other accounts receivable	860.0	783.1	834.4	1,150.2
Inventories	926.4	1,404.8	1,471.0	1,287.9
Held-for-sale asset	12.3	—	—	—
Non-current assets due within one year	3,250.2	12.2	600.5	410.6
Other current assets	1,026.5	5,419.4	8,418.0	6,440.4
Total current assets	21,572.9	20,823.8	28,117.8	30,507.2
Non-current assets				
Loans and advances	49.8	1,049.2	2,163.8	1,660.1
Financial assets available for sale	10,078.1	10,933.4	14,268.1	19,592.8
Held-to-maturity investment	—	—	—	205.2
Long-term receivables	902.7	982.8	4,011.2	5,281.7
Long-term equity investment	19,389.9	24,938.8	32,985.0	33,603.1
Real estate investment	185.4	99.1	91.0	86.2
Fixed assets	12,599.4	15,330.0	16,764.2	17,086.0
Construction in progress	6,824.1	6,082.2	7,086.4	7,383.3
Construction materials	47.6	35.9	35.5	92.8
Fixed assets pending for disposal	—	—	—	—
Intangible assets	1,154.5	1,457.2	1,806.9	1,792.2
Research and development expenses	6.2	9.8	10.7	7.2
Goodwill	244.9	250.7	249.5	249.5
Long-term prepaid expenses	71.4	103.7	145.3	157.4
Deferred income tax assets	76.6	99.6	117.4	126.7
Other non-current assets	1,123.4	1,863.3	3,270.7	3,589.8
Total non-current assets	52,753.8	63,235.7	83,005.8	90,914.0
Total Assets	74,326.7	84,059.5	111,123.5	121,421.1
Liabilities and Owners' Equity Current liabilities				
Short-term loans	4,110.2	5,660.0	6,337.6	8,880.3
Derivative Financial liabilities	—	—	0.03	—
Notes payable	170.3	141.4	1,279.2	533.1
Accounts payable	1,882.6	2,202.4	2,769.6	3,917.1
Advances from customers	234.0	547.6	876.8	998.8
Payroll payable	46.5	94.7	111.7	88.6
Taxes payable	151.2	257.8	327.3	204.8
Interests payable	589.4	644.3	724.4	653.2
Dividends payable	370.5	350.4	32.4	26.2
Other accounts payables	592.6	610.8	857.3	926.2
Non-current liabilities due within one year	6,579.9	3,983.5	5,158.4	6,018.2
Other current liabilities	6,690.7	6,293.1	5,054.3	6,060.2
Total current liabilities	21,417.9	20,786.1	23,529.0	28,306.7

	As at 31 December			As at 30 June
	2015	2016	2017	2018
	(audited)	(audited and adjusted) ⁽¹⁾	(audited)	(unaudited)
	(RMB in million)			
Non-current liabilities				
Long-term loans	8,525.3	10,956.6	17,958.5	17,531.2
Bonds payable	14,189.8	20,970.4	27,557.3	25,839.7
Long-term payables	1,189.1	541.5	1,360.4	1,341.9
Long-term payroll	14.9	9.6	5.5	3.9
Special payable	—	87.7	309.1	488.0
Accrued liabilities	32.4	36.5	40.0	—
Deferred income	277.5	383.7	419.3	407.0
Deferred corporate tax liabilities	64.6	192.4	222.1	210.7
Other non-current liabilities	80.0	80.0	84.5	84.5
Total non-current liabilities	24,373.5	33,258.4	47,647.5	45,418.8
Total Liabilities	45,791.5	54,044.5	71,176.5	73,725.6
Owners' Equity				
Paid-in capital	11,660.0	11,660.0	11,660.0	11,660.0
Other equity instruments	4,283.5	3,883.5	8,884.5	16,719.5
Capital reserve	3,817.7	2,739.2	2,720.4	2,408.7
Other comprehensive income	146.8	59.1	67.4	-151.3
Special reserve	2.5	0.6	6.5	9.1
Surplus	384.5	960.7	1,071.9	1,071.9
Undistributed profit	2,807.7	6,492.3	5,516.3	5,579.8
Total owners' equity attributable to parent company	23,102.7	25,795.4	29,927.0	37,297.8
Minority interests	5,432.5	4,219.6	10,020.0	10,397.8
Total Owners' Equity	28,535.2	30,015.0	39,947.0	47,695.6
Total Liabilities and Owners' Equity	74,326.7	84,059.5	111,123.5	121,421.1

Note:

- (1) The Guarantor's consolidated income statement and balance sheet as at 31 December 2016 included in its audited consolidated financial statements as at and for the year ended 31 December 2017 have been adjusted to reflect certain adjustments as detailed in note (5) on page F-229. The Guarantor's income statement and balance sheet as at 31 December 2016 contained in the audited consolidated financial statements as at and for the year ended 31 December 2016 have not been revised to reflect such adjustments. Potential investors must exercise caution when using the Guarantor's historical financial information to evaluate the financial condition and results of operations of the Guarantor.

SUMMARY CONSOLIDATED CASH FLOW STATEMENT DATA

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
	(RMB in million)				
Net cash flows from operating activities	1,388.4	1,427.4	2,546.1	(2,292.8)	(1,967.3)
Net cash flows used in investing activities	(10,783.0)	(8,208.6)	(19,271.9)	(3,828.3)	(6,373.4)
Net cash flows from financing activities	15,349.9	1,867.0	21,019.1	9,161.1	7,544.8
Effect of changes in exchange rate on cash	5.5	66.8	(198.7)	(12.3)	9.0
Net increase in cash and cash equivalents	5,960.8	(4,847.4)	4,094.6	3,027.7	(786.9)
Closing balance of cash and cash equivalents	11,963.8	7,116.4	11,963.8	10,144.1	10,424.1

NON-GAAP FINANCIAL MEASURES

The Guarantor uses EBITDA to provide additional information about its operating performance. EBITDA is not a standard measure under the PRC GAAP. Capital expenditure requirements and levels of debt and interest

expenses may have a significant impact on the profit for the period of companies with similar operating results. EBITDA is a widely used financial indicator of a company's ability to service and incur debt.

In evaluating EBITDA, the Guarantor believes that investors should consider, among other things, the components of EBITDA such as revenue and operating costs under the amount which EBITDA exceeds capital commitments and other charges. The Guarantor has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Guarantor's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Guarantor's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

The table below reconciles the Guarantor's operating profit under the PRC GAAP to the Guarantor's definition of EBITDA for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2015	2016	2017	2017	2018
	(RMB in million)				
Operating profit	1,320.9	4,085.1	990.2	491.2	684.1
Add:					
Finance expenses	361.8	1,783.1	1,901.8	895.3	1,131.4
Depreciation of fixed assets	402.5	725.8	1,100.3	422.7	573.6
Amortisation of intangible assets	23.2	43.8	38.6	28.0	21.9
Amortisation of long-term prepaid expenses	24.9	15.0	12.3	11.9	16.5
EBITDA	2,133.4	6,652.8	4,043.2	1,849.1	2,427.5

The Guarantor's definition of EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Guarantor's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expenses or other non-operating cash expenses.

CERTAIN FINANCIAL INDICATORS

The following table sets forth certain financial indicators of the Group as at and for the periods indicated:

	As at and for the years ended 31 December			As at and for the six months ended 30 June
	2015	2016	2017	2018
LTM EBITDA ⁽¹⁾ (RMB in million)	2,133.4	6,652.9	4,043.1	4,621.4
Total debt ⁽²⁾ (RMB in million)	40,087.4	47,580.3	61,777.1	64,283.7
Net debt ⁽³⁾ (RMB in million)	27,611.9	40,121.0	50,294.7	53,713.3
Total debt/ LTM EBITDA	18.8	7.2	15.3	13.9
Net debt/ LTM EBITDA	12.9	6.0	12.4	11.6

Notes:

- (1) LTM EBITDA represents EBITDA for the last twelve months.
- (2) Total debt represents current indebtedness and non-current indebtedness. See "*Capitalisation and Indebtedness of the Guarantor*".
- (3) Net debt is equal to total debt less monetary capital.

RISK FACTORS

An investment in the Bonds is subject to a number of risks. Investors should carefully consider all of the information in this Offering Circular and, in particular, the risks described below, before deciding to invest in the Bonds. The following describes some of the significant risks that could affect the Issuer, the Guarantor, the Group and the value of the Bonds. Some risks may be unknown to the Issuer, the Guarantor and the Group and other risks, currently believed to be immaterial, could in fact be material. Any of these could materially and adversely affect the business, financial condition, results of operations and prospects of the Issuer, the Guarantor and the Group. The market price of the Bonds could decline due to any of these risks, and investors may lose part or all of their investment.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Issuer, the Guarantor or the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Offering Circular. The Guarantor and the Group may be affected materially by requirements and restrictions that arise under PRC laws, regulations and government policies in nearly all aspects of its business in the PRC. All of these factors are contingencies which may or may not occur and the Issuer or the Guarantor is not in a position to express a view on the likelihood of any such contingency occurring. The Issuer or the Guarantor does not represent that the statements below regarding the risk factors of holding any Bonds are exhaustive.

RISKS RELATING TO THE GROUP'S BUSINESS

The seasonal change in water supply may affect the output and earnings of the power generation plants of the Group.

As at 30 June 2018, the Group controlled and operated 13 hydropower plants and held non-controlling interests in 11 hydropower companies. The power generation and results of operations of hydropower plants are heavily affected by hydro resources and the seasonal change in water supply. The more even the water supply is spread out among the various seasons, the greater the output revenue of such plants. Yunnan Province has had years of dry weather since 2009, which has resulted in many of the Group's hydropower plants running at less than full capacity. Meanwhile, many of the hydropower plants in which the Group holds controlling interests are small in scale (with an installed capacity of 50 MW or less) and their ability to adapt to changes in reservoir capacity requirements is limited. If the water supply for the Group's hydropower plants does not improve in the future, the power generation and sales of the Group and its business, financial condition and results of operations of power generation and sales may be adversely affected.

In addition, in selecting sites for the development of its hydropower or solar power plants, the Group makes its decisions based on the meteorological and topographical data of the proposed area as well as the on-site exploration conducted by the Group's technicians. There can be no assurance that the actual natural conditions will conform to the historical measured data or that the assumptions the Group makes during its assessment are correct. Moreover, even if actual natural conditions are consistent with the Group's assessment, such conditions may be affected by variations in weather patterns, which may change over time to the detriment of the Group's projects. As a result, the power generated by the Group's hydropower and solar power projects may fall below the Group's expectations, which could in turn materially and adversely affect the Group's business, financial condition and results of operations.

Risk of raising water prices will impact the Group's profit margins.

Water prices are subject to various laws and regulations. To ensure that water resources in the PRC are managed appropriately and to promote efficient water use, entities and individuals who collect water directly from rivers, lakes or underground water supply must apply to the water administration departments for a water collection licence, must extract water in accordance with the provisions of the water collection licence and also pay a water resource fees pursuant to the Water Law of the People's Republic of China (中華人民共和國水法), Measures on the Implementation of Water Law of the People's Republic of China in Yunnan Province (雲南省實施中華人民共和國水法辦法), Procedures on Collection, Use and Management of Water Resource Fees (水資源費徵收使用管理辦法) and Measures on Water Collection Resource Fees for Power Enterprises of Yunnan Province (關於對在滇電力企業全面徵收水源費辦法). In accordance with the Notice of the NDRC, the Ministry of Finance and the Ministry of Water Resources ("MWR") on the Standard for Collecting Water Resource Fees for Hydropower Stations Controlled Directly by the Central Authorities and Located Cross-Provinces (國家發改委、財政部、水

利部關於中央直屬和跨省水利工程水資源費徵收標準及有關問題的通知), from 1 September 2009, water resources used for hydropower generation would incur a charge of between RMB0.3-0.8 cents per kWh produced. In particular, where the water is sourced from a province, autonomous region or municipality that is controlled directly by the PRC Government and which charges:

- less than RMB0.3 cents per kWh for water generally, water used for hydropower generation would be charged at RMB0.3 cents per kWh;.
- more than RMB0.8 cents per kWh for water generally, water used for hydropower generation would be charged at RMB0.8 cent per kWh; and
- are between RMB0.3-0.8 cents per kWh, water used for hydropower generation would be charged at the same price.

In accordance with the Notice of the NDRC, the Ministry of Finance and the MWR on the Adjustment of the Standard for Collecting Water Resources Fees for Hydropower Stations Controlled Directly by the Central Authorities and Located Cross-Provinces (國家發改委、財政部、水利部關於調整中央直屬和跨省水利發電用水水資源費徵收標準的通知), from 1 January 2015, water resources used for hydropower stations controlled directly by the central authorities and located cross-provinces would be charged at RMB0.5 cents per kWh if the prices charged for water generally at that time were lower than RMB0.5 cents per kWh. If the prices charged at that time for water generally were higher than RMB0.5 cents per kWh, then the fees should remain as they were but shall not be higher than RMB0.8 cents per kWh. In addition, Yunnan Province determines the price of water in accordance with the total water installation capacity and the sources of water. The Group pays RMB0.4-0.7 cents per kWh for its water resources determined in accordance with the total capacity of its power plants. The Group's profit margins will be affected if the PRC Government decides to increase water fees in line with the overall strategy to create an energy-saving society.

Increases in the supply of or decreases in demand for power may materially and adversely affect the Group's power sales.

The Group's power sales depend on the net generation volume sold to state-owned power grid companies by its power plants and projects, and demand from the state-owned power grid companies is generally affected by the local demand for power and the amount of generation capacity available in the grids. The dispatch centre under the jurisdiction of each applicable power grid company oversees such dispatch of power and determines the planned output of power to be dispatched by each power plant. In recent years, the power generation sector in the PRC has been growing as a result of rapid industrialisation and rising residential power demand. However, there can be no assurance that the current demand for power in the PRC will continue to increase or be sustained. A slowdown in certain industries, or in the PRC economy generally, could result in a decrease in demand for power. In addition, as the Group competes with other power plants and projects in the areas in which it operates, and there can be no assurance that the dispatch centres will give dispatch priority to the Group's power plants and projects operating in such areas. As a result, the Group's revenue from power sales is heavily influenced by the demand for and supply of power in each province in which it operates and the policies of the power grid companies to which the power is sold. Any reductions in the Group's net generation volume will reduce the Group's revenue and may have a material adverse effect on its business, financial condition and results of operations.

The fluctuation in commodities price may pose uncertainty to the Group's business.

The Group's resources trading business primarily focuses on trading in steel, coal and other materials such as oil and cement. Revenue from resources trading contributes a substantial part in the Group's revenue. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group's revenue from resources trading accounted for 86.5 per cent., 80.2 per cent., 87.9 per cent. and 87.3 per cent. of its total revenue, respectively, and its gross profit from resources trading accounted for 12.5 per cent., 4.3 per cent., 14.1 per cent. and 1 per cent. of its total gross profit, respectively.

The price, supply and demand of steel, coal and other commodities are directly affected by government policies and macroeconomic factors, including currency exchange rates, interest rates and the level of inflation, global economic trends, inventory levels, actions of participants in the commodity markets and other factors beyond our control could result in a significant oversupply or decreased demand. Steel trading is an important part of the

Group's resources trading business, however, the steel traders in current domestic market are generally small-scale and have a limited ability to anticipate and manage commodity price fluctuations. The competition is increasingly fierce and profit margins are gradually narrowing and are expected to further reduce due to the slowdown of economy. There can be no assurance that the market price of steel will not decline in the future or that such prices will otherwise remain at sufficiently high levels to support the Group's profitability.

In addition, fluctuations in the performance of the related downstream industries will cause the demand for the Group's energy-related products and consequently the selling prices of the Group's products, to fluctuate significantly. Material fluctuations in the Group's resources trading business could cause the Group's results of operations to vary significantly and may materially and adversely affect the Group's business, financial condition and results of operations.

The Group's coal production and sale business is influenced by coal prices, which are cyclical and subject to significant fluctuations.

The Group is engaged in the coal production and sale business. The Group's coal production and sale business and its operating results are heavily affected by the volatile price movement of coal in the PRC market and the factors affecting such price movement, such as regional and national supply and demand for coal, competition from other energy sources, and regulations and policies introduced by the PRC Government and general economic conditions. The PRC's coal market has historically exhibited significant fluctuations in supply, demand and prices from year to year. According to the National Bureau of Statistics of the People's Republic of China ("NBSC"), in 2016, the estimated domestic coal sales decreased by 2.0 per cent. to 3.89 billion tonnes compared to 2015, and the estimated domestic coal production also decreased by 9.0 per cent. to 3.41 billion tonnes compared to 2015. There can be no assurance that the demand for coal and coal-related products will increase in the future.

As a result of volatile price movement, revenue from the sales of coal may significantly fluctuate from time to time. If the coal price increases and the Group cannot pass on the price increases to its customers due to fixed price arrangements, the profitability of its coal supply business will decline and this could have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is facing increasing competition from other renewable energy companies and conventional energy companies.

The PRC's power industry is highly competitive. The Group competes with other renewable energy companies and conventional energy companies for fuel, labour and capital required to develop and operate its power plants and projects. Some of the Group's competitors have access to greater financial, infrastructure or other resources than the Group. The ability of the Group's competitors to access resources that the Group cannot access may prevent the Group from acquiring additional land use rights or power plant projects in strategic locations or from increasing its generating capacity, each of which may materially and adversely affect its business, financial condition and results of operations.

Renewable and clean energy projects in the PRC, including wind, solar, hydro, biomass, geothermal and ocean power, benefit from various governmental incentives such as on-grid tariff premiums and dispatch priorities. If the PRC Government strengthens its support for other renewable energy projects, competition with other renewable and clean energy companies may intensify and the results of operations of the Group may be adversely affected if the Group fails to compete successfully.

The Group also competes with oil, coal and other conventional energy companies. Any technological progress in the exploitation of other energy sources or discovery of large deposits of oil or coal, resulting in a decline in the price of those fuels, could increase the competitiveness of power generated from conventional sources. A reduction in demand for renewable energy could have a material adverse effect on the Group's business, financial condition and results of operations.

Delays in power plant development may adversely affect the expansion plans of the Group.

The Group invests in, develops, and manages large power plants and projects in the PRC. The process of identifying potential opportunities for the development of power plants and projects, obtaining government and other approvals, completing acquisition or construction and commencing commercial operations requires time

and effort and incurs costs. The Group's ability to expand and its continued success depend on its ability to secure, in a timely and cost-effective manner, the required approvals, financing, power sales and dispatch agreements, construction contracts, fuel supply and transportation and power transmission arrangements. There can be no assurance that the Group will be able to secure all necessary approvals, permits or agreements for these projects in a timely manner or at all, and any delay or failure to secure such approvals or agreements may increase costs and delay or prevent commercial operation of the affected power plant. If the Group is unsuccessful in resolving or addressing any of these matters in a timely manner, such failure or delay may materially and adversely affect its business, financial condition and results of operations.

In addition, the development of an investment project and the construction of a power project, including its ancillary facilities, such as transmission lines or substations, may be materially and adversely affected by many factors commonly associated with the construction of infrastructure projects that are beyond the Group's control, including shortages of equipment, materials or labour, work stoppages, labour disputes, weather interference, natural disasters, accidents, and unforeseen mechanical, technical, engineering, design, environmental or geological problems, any of which could give rise to delays or cost overruns. Furthermore, the construction of most of the Group's power projects, transport and other ancillary facilities is undertaken by third-party contractors. There can be no assurance that such contractors will be able to complete construction in a timely or cost-effective manner or that the Group will be able to adequately control or monitor the contractors to ensure the quality of such construction. If the Group is unable to complete the construction of its power plants and projects and/or ancillary facilities on schedule and according to specifications, its business, financial condition and results of operations may be materially and adversely affected.

The Group will continue to develop its diversified business portfolio as part of its growth strategy. The success of such growth by diversification is subject to various factors and there can be no assurance that the Group will be able to successfully implement its growth strategy.

With the strategic role as the sole platform for investing in and developing energy-related operations in Yunnan Province, the Guarantor has been engaged in the power generation and sales since its establishment. In recent years, the Guarantor has been vigorously developing its resources trading business. The Group has also been developing financial services through its subsidiary, Yunnan Energy Financial Services Co., Ltd. (雲南能源金融控股有限公司) ("**Yunnan Financial Services**"). As at the date of this Offering Circular, the Group has established nine funds. For more details, please see "*Description of the Group – Description of the Group's Business – Financial Services – Fund investment*".

As part of its growth strategy, the Group will continue to develop and/or invest in power generation, resources trading as well as other complementary businesses. If the Group decides to undertake new types of energy projects, such diversification may place significant demands on the Group's management and resources as the success of the Group's new operations requires, among other things, the research and development of new technologies and the Group may not be able to develop the relevant technology in a safe, timely and cost-efficient manner, or at all. The Group may be unable to effectively control operating costs and increase profit margins from its new operations and face competition from similar operations or enterprises, some of which may have more experience and resources than the Group. As the Group may not have the experience or expertise necessary for the successful development of such projects on its own, it may enter into new strategic alliances and partnerships or seek to acquire existing producers. The Group's success in implementing such growth and diversification will depend on, among other things, its ability to identify and assess potential partners, investments and acquisitions, successfully finance and integrate such acquisitions, control costs and maintain sufficient operational and financial controls. Any potential acquisition, alliance or joint venture could involve a number of risks, including diversion of management's attention, higher costs, unanticipated events or circumstances or failure of the newly developed energy sources, some or all of which could have a material adverse impact on the Group's business, financial condition and results of operations.

Coal supply disruption or unavailability may adversely affect the operation of the Group's fossil fuel power plants.

The Group currently satisfies part of the coal demand of its Weixin Power Plant Phase I (威信電廠一期) with the coal purchased from major coal suppliers through procurement agents or from its direct coal suppliers pursuant to annual coal supply agreements. Self-production capacity is expected to increase as the Guanyin Mountain Coal Mine – No. 2 (觀音山煤礦二井) commenced its trial operation in July 2016. For the six months ended 30 June 2018, Guanyin Mountain Coal Mine – No. 2 produced approximately 373,900 tonnes of coal. Notwithstanding its

coal supply agreements, there is no assurance that the Group can avoid any disruption in, unavailability of, or changes to the commercial terms of, its coal supplies, or that it will be able to purchase sufficient supplies of coal in the open market, at commercially reasonable prices or at all, to meet its future uncontracted requirements.

Delivery disruption could occur for a variety of reasons beyond the Group's control, including transportation bottlenecks, accidents and natural disasters. There is no assurance that the Group can avoid disruption in or unavailability of coal transportation services, which could have a material adverse effect on its business, financial condition or results of operations.

The Group relies on local grid companies for grid connection, power transmission, dispatch and approvals for its power projects development.

The Group relies on local grid companies for grid connection, power transmission and dispatch services. The Group's revenue from power generation and sales and profitability depend, to a large extent, upon the sale of power which is subject to dispatch to power grids. Currently, sales to the Yunnan branch of China Southern Power Grid (南方電網雲南分公司) contribute to over 90 per cent. of the Group's revenue from power sales. The dispatch of power generated by the Group's power plants and projects is controlled by the dispatch centres of the relevant local grid companies pursuant to applicable laws and regulations as well as dispatch agreements between such local grid companies and the Group's relevant subsidiaries. Dispatch centres consider a variety of factors when dispatching power, including, but not limited to, local demand for power, interconnection agreements between power grids, grid congestion, restrictions on transmission capacity, grid connectivity and stability of the grids. As a result, the sale of power generated by the Group's power projects may be limited by such factors.

In addition, the Group's power projects may compete with other power generation companies for grid connection in the event that the local grid does not have sufficient capacity to dispatch all the power produced by the power generation companies within its coverage. In granting consents, local grid companies consider a number of factors, many of which are beyond the Group's control, including the availability and stability of existing grids and the costs of grid connections. There can be no assurance that the Group will be able to obtain all necessary consents from local grid companies in a timely manner, or at all. Failure or delays in obtaining such consents may prevent the Group from selling its power as planned. The Group's power plants may also experience power output constraints due to grid companies' failure to expand or upgrade local grids in a timely manner. Such output constraints could have an adverse effect on the Group's business, financial condition and results of operations.

The Group's revenue and profit from power generation and sales business may be adversely affected by the PRC Government's control over tariffs.

Power sales account for an important part of the Group's revenue. The revenue from power sales is affected primarily by two factors: on-grid tariffs and the on-grid power generation of the Group's power plants. Accordingly, the results of operations and financial condition of the Group's power generation and sales business are directly and significantly affected by the on-grid tariffs at which the Group sells the electricity generated by the power projects to the local grid companies. The on-grid tariffs in China are determined by government authorities. See "*PRC Regulations – Laws and Regulations Relating to PRC Energy Industry*". There is no assurance that the on-grid tariff of the Group will not decrease in the future due to changes in government policies or change of the project mix of the Group. Any material decrease in the on-grid tariff may have an adverse effect on the Group's business, financial condition and results of operations.

Risk of relocation of local communities affected by the flooding resulting from hydropower projects.

Hydropower projects require the construction of storage dams. The surrounding reservoir areas may become submerged by the flooding resulting from the hydropower projects. Handling the relocation of people who live in affected reservoir areas is a matter of great importance to both the Group and the affected communities. Relocation is currently handled by an external company and funded by the Group through the Yunnan Provincial Government. The Group's reputation, day to day management activities and production may be impaired if the relocation work is not handled properly.

RISKS RELATING TO THE GROUP IN GENERAL

The Group's business and operating results to a large extent depend upon the local economy and public policy of Yunnan Province.

The Group is the sole energy investment platform of the Yunnan Provincial Government and is the designated entity to implement the provincial government's strategy of developing the energy sector as a powerful pillar industry and developing clean energy in Yunnan Province. The investment portfolio of the Group consists of hydropower, fossil fuel power, wind power, solar power, natural gas, resources trading, financial service, integrated businesses and international business.

Although the Group operates in Hong Kong and countries along the Belt and Road, such as Singapore, Laos and Myanmar, a substantial part of the Group's investment portfolio and operations are concentrated in Yunnan Province. Some of the Group's businesses are for public interest in nature and governmental agencies and state-owned enterprises are among the Group's major suppliers and customers. The Guarantor's businesses are to a large extent supported by and dependent on the Yunnan Provincial Government. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, a majority of the Group's revenue was derived from its operations and investment in Yunnan Province. As such, the local economy and public policy of Yunnan Province has had and will continue to have a significant impact on the Group's business, financial condition, results of operations and prospects.

The Group's operations require significant capital and failure to obtain capital on reasonable commercial terms may adversely affect its business performance and future development.

The Group requires significant capital outlay to fund its investment and operating activities. As the key player in the energy sector of Yunnan Province, the Group will continue to require additional capital resources to acquire and develop additional energy projects. To successfully implement this growth strategy, the Group may need to raise substantial additional funds.

The Group has historically satisfied its cash needs with internally-generated operating cash flow, proceeds from bank and other borrowings, funds raised in the PRC domestic and international capital markets and the financial support from the Yunnan Provincial Government. Due to the nature of power generation business, it usually takes a long period of time for the Group to complete the construction of the power generating facilities and to recover its investment in the relevant power projects. As a result, the cash generated from operations may fluctuate from time to time and may not be sufficient to meet the Group's capital needs. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group recorded net cash generated from operating activities of RMB1,388.4 million, RMB1,427.4 million, RMB2,546.1 million and RMB-1,967.3 million, respectively, while its net cash generated from investing activities was -RMB10,783.0 million, -RMB8,208.6 million and RMB19,271.9 million, respectively. As such, the Group will have an increasing reliance on external financing to satisfy its cash needs.

The Group's ability to obtain external financing and the cost of such financing are dependent on various factors, such as general economic and capital market conditions, credit availability from banks or other lenders, its ability to obtain PRC governmental approvals, if applicable, required to access domestic or international financing and the performance of the Group's operation. There can be no assurance that international or domestic financing will be available on terms acceptable to the Group, or at all, which could increase the Group's financing costs and cause a delay in its expansion plans, and may adversely affect its business, financial conditions and results of operations.

The Group has significant indebtedness and may incur additional indebtedness in the future, which could increase the Group's vulnerability to market fluctuations and adversely affect its business, financial condition, results of operations and prospects.

The Group has, and may continue to have, a substantial amount of indebtedness. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group's total indebtedness (comprising short-term and long-term loans, bonds payable, long-term loans due within one year, bonds payable due within one year and other current liabilities) was RMB40,087.4 million, RMB54,044.5 million, RMB71,176.5 million and RMB58,802.0 million, respectively. The Group's indebtedness could have an adverse impact on the Group's business as follows:

(a) require the Group to dedicate a substantial portion of its cash flow from operations to service and repay its indebtedness;

- (b) increase the costs of additional financing, thus affecting the overall profits of the Group;
- (c) limit, along with the financial and other restrictive covenants of its indebtedness, among other things, its ability to borrow additional funds;
- (d) limit the Group's flexibility in planning for or reacting to changes in its businesses and the industries in which it operates; and
- (e) increase the Group's vulnerability to adverse general economic and industry conditions.

In the future, the Group may from time to time incur substantial additional indebtedness and contingent liabilities. The Group continually reviews its current and expected future funding requirements and evaluates and engages in discussions with financial institutions and other market participants, from time to time, on proposals regarding different sources of funding. The Bonds do not prohibit the Group from incurring additional debt and contingent liabilities. If any member of the Group incurs additional debt, the risks that the Group faces as a result of its already substantial indebtedness and leverage could intensify. In particular, a negative change in one or more of the Group's credit ratings could, notwithstanding that it is not a rating of the Bonds, adversely impact the market price and the liquidity of the Bonds.

Certain financing contracts entered into by any member of the Group contain operational and financial restrictions on the Group or, as the case may be, the relevant subsidiary's business, that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior approval. The ability of the Group or the relevant subsidiary (as borrower) to meet such financial ratios may be affected by events beyond its control. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions, take advantage of business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debt.

If the Group or the relevant subsidiaries are unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under such agreements, the holders of the debt could terminate their commitments to the Group or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Some of the financing contracts entered into by the Group and its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Group or any of its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under other debt agreements. If any of these events occur, there can be no assurance that the Group or its subsidiaries will be able to obtain the lenders' waiver in a timely manner or that the assets and cash flow of the Group or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Group or its subsidiaries would be able to find alternative financing. Even if the Group and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Group or, as the case may be, its subsidiaries.

In addition, the Group mortgages some of its assets, including land use rights, to secure its bank borrowings. As at 30 June 2018, a total book value of approximately RMB3,611.9 million in assets of the Group were provided as security for bank loans provided to the Guarantor and its subsidiaries. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Guarantor and its subsidiaries are unable to service and repay their debts under such bank loans on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

The Group may be exposed to liquidity risk.

A large percentage of the Group's assets are non-current assets, which cannot be readily converted into cash. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the Group's non-current assets amounted to RMB52,753.8 million, RMB63,235.7 million, RMB82,990.8 million and RMB90,914.0 million, respectively, representing 71.0 per cent., 75.2 per cent., 74.7 per cent. and 74.9 per cent., respectively, of the Group's total

assets, and the balance of long-term equity investments was RMB19,389.9 million, RMB24,938.8 million, RMB32,970.1 million and RMB33,603.1 million, respectively, representing 26.1 per cent., 39.4 per cent. and 29.7 per cent. and 27.7% per cent. respectively, of the Group's total assets. As at 31 December, 2015, 2016 and 2017 and 30 June 2018, the ratio of the Group's current assets to current liabilities was 1.0, 1.0, 1.2 and 1.1, respectively, and the quick ratio (which is calculated by current assets less inventories divided by current liabilities as at end of the financial period) was 1.0, 0.9, 1.1 and 1.0, respectively. Large proportion of non-current assets may increase the liquidity risk of the Group. If the Group experiences any shortage in working capital or cash, there is no assurance that the Group is able to convert its non-current assets into cash in a timely manner, or on terms acceptable to it. If there is any adverse change in the operation or equity value of the companies in which the Group invested, the Group's business, financial condition, results of operations and prospects may be adversely affected. The Group's liquidity position in the future will continue to depend largely on its ability to maintain adequate cash flow operations to meet its liabilities as they became due and the Group's ability to generate sufficient cash flow from its operations and maintain adequate external financing to fund its operations. In the event that the Group fails to do so, the Group's financial position will be adversely affected, which will in turn weaken the Group's financing ability and the performance of the Group is likely to be adversely affected.

The Group historically experienced net current liabilities and negative working capital, if any, may increase the Group's liquidity risk.

The Group's ability to improve its working capital depends on a combination of factors, such as the Group's future operating performance, prevailing market and economic conditions and changes in the regulatory environment, many of which are beyond its control. Although the Group has recorded net current assets for as at 31 December 2015, 2016 and 2017 and 30 June 2018, there is no assurance that the Group is able to achieve and maintain a positive working capital in the future. Negative working capital, if any, may increase the Group's liquidity risk, restrain its operational flexibility, and in turn have a material adverse impact on the business, prospects, financial condition and results of operations of the Group.

The Group's overall profit and profitability may be heavily affected by its business portfolios which have different profit margins.

The Group's businesses consist primarily of power generation and sales, natural gas operations, coal production and sales, resources trading, financial services, integrated businesses and international business. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group's gross profit margin was 5.8 per cent., 16.2 per cent., 6.3 per cent. and 6.9 per cent., respectively. Resources trading contributes the largest portion of the Group's revenue but its gross profit margin is relatively low. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group's revenue from resources trading accounted for 86.5 per cent., 80.2 per cent. 87.9 per cent. and 87.3 per cent., respectively, of the revenue of the Group, while its gross profit margin was 0.8 per cent., 0.8 per cent., 1.0 per cent. and 1.0 per cent., respectively, during the corresponding periods. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the revenue from the financial services was RMB29.5 million, RMB123.2 million, RMB123.9 million and RMB121.7 million, respectively, accounting for 0.1 per cent., 0.2 per cent., 0.2 per cent. and 0.3 per cent., respectively, of the revenue of the Group while it represented 2.1 per cent., 2.9 per cent., 11.4 per cent. and 17.7 per cent., respectively, of the total profit of the Group. The profitability of financial services business is heavily influenced by the market environment and other factors which may be beyond the Group's control. As the Group continues to diversify its investment and business portfolio, its business, financial condition, results of operations and prospects may continue to be affected by the combination of its business portfolios.

The Group's revenue is heavily affected by the performance of its investment portfolio.

As at 30 June 2018, the Group invested, without controlling interests, in 17 power generation companies, including 11 hydropower companies and six fossil fuel power companies. The investment income mainly includes cash dividends that the Group received from its investments in such power generation companies. In particular, for the years ended 31 December 2015, 2016 and 2017, the Group's dividends received from investing in the hydropower companies was approximately RMB2.38 billion, RMB1.68 billion and RMB0.70 billion, respectively, accounting for 5.6 per cent., 2.8 per cent. and 0.9 per cent., respectively, of the Group's operating revenue for the corresponding years. The increase in the Group's investment income during the year ended 31 December 2016 was largely due to its sales of 15 per cent. of equity interest in Three Gorges Jinsha River

Chuanyun Hydropower Development Co., Ltd. (三峽金沙江川雲水電開發有限公司) to China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) in March 2016, resulting in RMB6,430.2 million of investment income.

As the Group has no controlling interests in such companies, there is no assurance that the Group would continue to receive dividends in the future. In addition, the amount of dividends declared and paid by these investment companies is affected by their performance. If the performance of its investment portfolio does not improve as expected, or at all, the Group's business, results of operations and financial conditions would be adversely affected.

The Guarantor's limited operating history may not serve as an adequate indicator of its future results of operations.

The Group's businesses of power generation and sale, coal production and sale and resources trading commenced from 27 February 2012 when all of the hydro and equity assets of Yunnan Provincial Investment Holdings Group Co., Ltd. (an investment vehicle of the Yunnan Provincial Government) was transferred, at book value, to the Guarantor with the approval of the Yunnan Provincial Government. The Group commenced its financial investment business and its salt and chemical production business in 2014 and October 2015, respectively.

The operating history of the Group is relatively short and many of its businesses and projects are in the development and establishment stages, resulting in limited potential for short-term profits. In addition, as the overall profitability of each project can only be measured after the project has been completed, the current profitability of the Group's projects may not be an accurate reflection of future profits. There is no assurance that the Group will effectively manage and develop such businesses or projects, or succeed in achieving its goal of expanding these businesses.

The Group's business may be affected by fluctuations in interest rates.

The Group relies on bank and other borrowings to satisfy part of its cash needs to fund its investment and business expansion. Changes in interest rates have affected and will continue to affect the Group's financing expenses and ultimately, its profit. In recent years, the People's Bank of China ("PBOC") promulgated a number of policies and adjusted the benchmark one-year RMB lending rate several times as monetary measures to control the supply of liquidity in the market. While starting from 20 July 2013, commercial banks in China are permitted to set the lending interest rates for their loans at their own discretion, the benchmark lending rates published by PBOC remain an influential reference to commercial banks to determine the rate of the loans they grant to borrowers, such as the Group. Any increase in the benchmark lending rate may affect the prevailing interest rate offered by the commercial banks and in turn increase the interest expenses of the Group for its bank borrowings. This may also affect the Group's ability to obtain additional financing and in turn have a material adverse impact on the Group's business, financial condition and results of operations.

The Group is exposed to risks in relation to the inventory it maintains.

The Group needs to maintain sufficient inventory, especially finished products, to meet the market demand and its sales. The principal inventories of the Group are steel, thermal coal, salt and cement. The Group endeavours to manage its inventory level by aligning its procurement with its sales based on confirmed purchase orders and projected sales. However, making an accurate estimate is difficult. Inaccurate demand forecasts and the time lag between when the inventory of raw materials is ordered from the Group's suppliers and when its finished products are sold could expose the Group to inventory risks. As at 31 December 2015, 2016 and 2017 and 30 June 2018, the balance of the Group's inventory was RMB926.4 million, RMB1,404.8 million, RMB1,471.0 million and RMB1,287.9 million, respectively, accounting for 4.3 per cent., 6.7 per cent., 5.2 per cent. and 4.2 per cent., respectively, of the current assets.

The changes in Group's inventory balance were mainly due to fluctuations in the inventory of resources trading business and the development cost of construction projects. Influenced by the slowdown of macro-economy, the price of the Group's inventories is subject to greater volatility, which may lead to increase in the Group's inventory impairment provision and adversely affect the Group's overall profits and profitability. There can be no assurance that the Group can manage its inventories effectively and any failure in its inventory management could materially and adversely affect its business, financial condition and results of operations.

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

Since its reorganisation and establishment in early 2012, the Group's total assets have increased from RMB74,326.7 million as at 31 December 2015 to RMB84,059.5 million as at 31 December 2016, to RMB111,123.5 million as at 31 December 2017 and to RMB121,421.0 million as at 30 June 2018. The increases were largely due to the Group's business strategy of investing in new assets and businesses and entering into new strategic alliances and joint ventures.

The Group's ability to achieve and benefit from such acquisitions, investments, alliances and joint ventures will depend upon a number of factors, some of which are beyond its control. These factors include, but are not limited to, the Group's ability to:

- (1) maintain, expand or develop its customer relationships; identify assets or businesses for acquisition, investments, joint ventures or alliances that suit its development strategy;
- (2) execute the acquisition, alliance or joint venture or complete the investments within the timeframe or budget anticipated or integrate any business it acquires;
- (3) identify additional new markets; work with its joint venture partners or other shareholders; and
- (4) train and retain qualified personnel to manage and operate its growing business and any new business lines.

There can be no assurance that any or all of the proposed acquisitions, investments, joint ventures or alliances will be consummated on commercially acceptable terms, if at all. Acquisitions of or strategic investments in other power plants may result in the incurrence of debt and the impairment or amortisation of expenses related to goodwill and other intangible assets. In addition, acquisitions and strategic investments involve numerous risks, including difficulties in the assimilation of operations, corporate culture and personnel of the acquired business, diversion of management's attention from other business concerns, risks of entering into new markets and the potential loss of key employees of the acquired business. Furthermore, such expansion will require the Group to continuously upgrade and improve its risk management controls and systems. The failure to manage any of these factors effectively may have a material and adverse effect on the Group's business, financial position, results of operations and prospects.

Business growth could place a significant strain on the Group's managerial, operational and financial resources. Integrating new assets or businesses into the Group's operational framework and ensuring their proper management may involve unanticipated delays, costs and operational problems, in particular with respect to business lines with which the Group has not had extensive experience. The Group may encounter unexpected problems or difficulties in realising anticipated synergies or have disagreements or conflicting interests with its joint venture or alliance partners or the other shareholders of its acquisitions. As a result, the Group may be unable to derive profit from such acquired businesses. Any such problems may impair the Group's competitiveness or growth prospects and have a material and adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, with respect to some joint ventures or equity investments in which the Group holds only a minority stake, the Group may not have any board representation or veto power. In case of disagreements with the Group's partners, management may be required to divert attention away from other aspects of its businesses to address these disagreements. Acquisitions also pose the risk that the Group may be exposed to successor liability relating to actions by an acquired company and its management before and after the acquisition. The due diligence the Group conducts in connection with an acquisition may not be sufficient to uncover unknown liabilities, and any contractual guarantees or indemnities that it receives from the sellers of acquired companies may not be sufficient to protect it from, or compensate it for, actual liabilities. A material liability associated with an acquisition could adversely affect the Group's reputation and reduce the benefits of the acquisition and may have a material and adverse effect on the Group's business, financial position and results of operations.

The Group relies on the performance of its contractors.

The Group has arrangements with contractors that are essential to its operations, such as construction agreements in relation to power plants. The Group endeavours to engage construction contractors with good reputations,

strong track records, and adequate financial resources. It has also formed quality control procedures and routinely monitor works performed by third-party contractors. However, the Group cannot assure you that any third-party contractor will provide services that satisfy its required standard of quality or in a timely manner. If any of these key counterparties fails to perform its obligations or if the credit-worthiness of any of these counterparties deteriorates, the Group may not be able to find suitable alternative contractors at commercially reasonable contract terms if contracts with its current counterparties terminate and it may result in delays in the completion of the Group's projects or incurrence of additional costs, which could materially and adversely affect the Group's business, financial condition and results of operations.

The Group undertakes additional operational risks in its overseas investment projects.

The Group conducts its operations and investments mainly in Yunnan Province. As part of its business strategies, the Group has expanded its investment portfolio to include overseas projects. Overseas markets and countries may differ from those in Yunnan Province and China in a number of ways, such as the level of economic development, topography, real estate trends and regulatory practices. As the Group enters into new markets, it may not have the same level of experience with local business practices, customs and customer tastes, behaviour and preferences as compared to its home markets. Therefore, the Group may not be able to successfully leverage its experience in China to expand its business into international markets. In addition, when the Group enters into new geographical areas and markets, it may face competition from local energy companies with established experience or presence in those areas. Any failure to leverage its experience or to understand the energy market in those countries may have a material adverse effect on the Group's financial condition and results of operations relating to such overseas investment. The Group's overall business, results of operations and prospects may be adversely affected as a result.

The Group's activities in Myanmar could result in negative media and investor attention and materially and adversely affect investment in the Bonds due to past U.S. sanctions.

The Group is developing a hydropower plant project in Myanmar. In July 2010, YEIG International Energy obtained from the Burmese authorities the development rights for the Ngaw Chan Hka River (諾昌卡河) hydropower project in Myanmar. As at the date of this Offering Circular, the Group has not made a substantial investment in this project.

In addition, in August 2016, the Group commenced the construction of Myanmar Thaketa Gas Fired Combined Cycle Power Plant (緬甸Thaketa燃氣蒸汽聯合循環電廠) in Myanmar, which is now in operation and can supply at least 720 million kWh of electricity to the National Grid of Myanmar, accounting for about 20% of Yangon's on-grid electricity supply. Such magnitude of electricity supply can support more than 42,000 households in and around Yangon.

Except for the above-noted hydropower project and power plant in Myanmar, the Group does not engage in any activities in any countries or with any targets, whether directly or indirectly, that are or were the subject of any United States economic sanctions regime. In addition, the Group does not plan to use any of the proceeds from the offering of the Bonds in the project described above or in any countries or with any targets, whether directly or indirectly, that are the subject of any United States economic sanctions regime. Myanmar was previously the subject of a United States economic sanctions regime. Such sanctions regime has been terminated in October 2016. There is no assurance that the Group's investment activities in Myanmar will not have an adverse impact on an investor's investment in the Bonds. It is also possible that, as a result of activities by the Group or its affiliates in Myanmar, the Group may be subject to negative media or investor attention, which may distract management, consume internal resources and affect investors' perception of the Group. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase regulatory scrutiny of the Group's business or result in one or more of its business activities being deemed to have violated sanctions, or being sanctionable.

The Group operates facilities that may cause significant harm to the natural or human environment or for which accidents, natural disasters or external attacks may have serious consequences.

Power generation and coal mining operations involve significant risks and occupational hazards that are inherent in such activities and may not be completely eliminated through the implementation of preventive measures. Factors such as insufficient attention to safety or maintenance and working conditions associated with production could result in accidents. The main types of accidents are explosions, collapse of retention walls, flooding and

short circuits resulting in electrical fires. In addition, the Group uses explosives and other detonators in its coal mining projects. The use of explosives and detonators are strictly regulated by the PRC Government. If the Group breaches any of the regulations, it could be subject to fines or, in the worst case scenario, may lose its exploration or mining licence. There can be no assurance that the safety measures currently implemented by the Group are sufficient to prevent potential accidents. An accident at any of the Group's projects could have serious consequences for persons, property, corporate image and business continuity, and could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, even if accidents do not occur at the Group's coal mines, accidents or safety hazards occurring at neighbouring mines could create safety hazards affecting the Group's coal mining operations or even result in a suspension of the Group's coal mining operations by the relevant authorities. There have been a number of significant mining accidents in the PRC in the last decade which have prompted the PRC Government to strengthen safety regulations, and future accidents may result in the imposition of further regulations. The Group may be required to devote additional financial and other resources to comply with such regulations. Any suspension of business or increase in the compliance cost could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group maintains insurance to cover certain risks but there can be no assurance that the insurance maintained by the Group will provide adequate coverage in certain circumstances. See “– *The Group may not have adequate insurance to cover all potential liabilities or losses*”.

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

Natural disasters, catastrophes or other events could result in severe personal injury, property damage and environmental damage, which may curtail the Group's operations, cause delays in estimated completion dates for projects and materially and adversely affect its cash flows and, accordingly, adversely affect its ability to service debt. The Group's operations are mainly based in Yunnan Province, which is exposed to potential natural disasters including, but not limited to, earthquakes, flooding, landslides, mudslides and drought. If any of the Group's developments are damaged by severe weather or any other disaster, accident, catastrophe or other event, the Group's operations may be significantly interrupted. The occurrence or continuance of any of these or similar events could increase the costs associated with the Group's operations and reduce its ability to operate its businesses effectively, thereby reducing its revenue. Risks of substantial costs and liabilities are inherent in the Group's principal operations and there can be no assurance that significant cost and liabilities will not be incurred, including those relating to claims for damages to property or persons.

Insurance policies for civil liabilities and damages taken out by the Group could prove to be significantly inadequate, and there can be no assurance that the Group will always be able to maintain a level of cover at least equal to current cover levels and at the same cost. The frequency and magnitude of natural disasters seen over the past few years, in particular the nuclear accident that occurred in Fukushima, Japan in March 2011 and the earthquake in Yunnan Province in August 2014, could have a significant impact on the capacities of the insurance and reinsurance market and on the costs of civil liability and damages insurance cover for the Group. See “– *The Group may not have adequate insurance to cover all potential liabilities or losses*” below. Such accidents could also lead to the shutdown of the facility affected and, potentially, of similar facilities that may be considered to present the same risks.

In addition, the Group's operations may be affected by outbreaks of contagious diseases. For example, the outbreak of Severe Acute Respiratory Syndrome (“SARS”) that began in the PRC and Hong Kong in early 2003 had an adverse effect on all levels of business in Hong Kong and the PRC. There have been sporadic outbreaks of the H5N1 virus or “Avian Influenza A” among birds, in particular poultry, as well as some isolated cases of transmission of the virus to humans. In May 2015, Zika virus broke out in Brazil and spread to the Americas. In February 2016, in response to the outspread of Zika virus, the World Health Organization declared a Public Health Emergency of International Concern and the U.S. Centers for Disease Control and Prevention (“CDC”) has elevated its response level efforts to a “Level 1” activation, the highest response level at CDC. In September 2016, the Zika virus has spread to Singapore and other countries in Southeast Asia. There have also been recent outbreaks among humans of the influenza A/H1N1 virus globally. On 11 June 2009, the World Health Organisation raised its global pandemic alert to Phase 6 after considering data confirming the outbreak. The outbreak of SARS and the influenza A/H1N1 virus led to a significant decline in travel volumes and business activities throughout most of the Asian region. The occurrence of another outbreak of SARS, Zika/the influenza A/H1N1 virus or of any other highly contagious disease may result in another economic downturn and may have

an adverse effect on the overall level of business and travel in the affected areas. It may also disrupt the Group's business operations and consequently have an adverse effect on its financial condition and operating results.

The Group's operations are subject to operational risks customary to the power generation industry, which may result in lost revenues, increased maintenance costs and the Group owing damages for failing to perform under power sales agreements.

Operating power plants and projects involves many operational risks customary to the power generation industry. The breakdown of generation equipment or failure of other key equipment or of a civil engineering structure in one or more of the Group's power plants and projects could disrupt the generation of power and result in revenues being lower than expected. Further, any breakdown or failure of one or more of the Group's transmission systems could disrupt transmission of power to the power grid. In addition, if there is a breakdown or failure of the power grid, the Group's affected power plants or projects will be unable to dispatch power until the grid company carries out the necessary repairs.

Furthermore, older generating equipment may require significant capital expenditure to maintain and upgrade. Breakdown or failure at one of the Group's power plants or projects may also prevent the Group from performing under the applicable power sales agreement, which in certain situations, could result in termination of the agreements or incurring the liability of liquidated damages.

Operation of the Group's power plants and projects may also be disrupted by a number of other factors including, but not limited to, improper installation or operation of equipment, substandard performance of equipment, natural disasters, labour disturbances, environmental hazards, fuel supply disruptions, and disputes with contractors and industrial accidents. The occurrence of any such operational disruptions at the Group's power generation plants could result in lost revenues and increased maintenance costs, which in turn could materially and adversely affect the Group's business, financial condition or results of operations.

The Group's business operations may be materially and adversely affected by present or future environmental regulations.

The Group's power generation and coal mining operations produce gaseous emissions, dust, waste water, sound pollution and solid waste materials. Accordingly, the Group is subject to extensive and increasingly stringent environmental protection laws and regulations that impose fees for the discharge of pollutants and waste substances, require the establishment of reserves for reclamation and rehabilitation, and impose fines for serious environmental violations.

In particular, the Group's fossil fuel power plants are subject to various environmental, health and safety regulations and requirements. Like all coal power plants, the Group's coal power plants discharge pollutants into the environment and are subject to central and local government environment protection laws and regulations, including requirements to pay discharge fees for various pollutants and waste. Compliance with such laws and regulations increases the Group's operating and capital expenses. These laws and regulations also impose fines and provide for the closure by the PRC Government of any power plant that violates environmental laws, regulations or decrees.

There is no assurance that the PRC Government will not adopt stricter environmental laws and regulations. In addition, the PRC Government is moving towards more rigorous enforcement of applicable environmental laws and regulations and the adoption of more stringent environmental standards. Any enhanced standards of these laws and regulations may require the Group to incur substantial additional costs in order to comply with such enhanced environmental, health and safety laws and regulations, including costs relating to maintenance and inspection, development and implementation of emergency procedures, and additional insurance coverage, or other financial assurance of the Group's ability, to address pollution, health and/or safety incidents. Any failure by the Group to control the costs associated with any enhanced standards in these laws and regulations could have a material adverse effect on its business, financial condition, results of operations, profitability and prospects.

The Group is subject to extensive laws and regulations and there can be no assurance that the Group has obtained all necessary regulatory approvals or will always be in full compliance with such laws and regulations.

The Group's business is subject to extensive laws and regulations of the PRC Government, provincial and local authorities and agencies, which regulate many aspects of its operations, including the connection and dispatch of

power generation, setting of on-grid and retail tariffs, compliance with power grid control and dispatch directives, granting and renewal of coal exploration and mining permits, and environmental, safety and health standards. Compliance with such laws and regulations may require the Group to incur significant capital expenditures or may impose other obligations or liabilities which could create a substantial financial burden on it. There can be no assurance that the Group possesses at all times adequate certificates, authorisations, licences, orders, consents, approvals or permits required by all applicable laws and regulations in the PRC. A breach of the laws or regulations to which the Group is subject may result in the imposition of fines and penalties or the suspension or closure of the relevant power plant operations.

In particular, the Group's hydropower plants, coal power plants and other renewable energy projects are subject to strict PRC laws and regulations relating to their development, construction, licensing and operation of power plants. These laws and regulations relate to, among other things, project approval and other government approval and licensing requirements for power companies, building and construction of new projects, landscape conservation and power dispatch and transmission. Before the Group constructs and operates its wind farms or coal power plants, the Group must first obtain operational and construction permits from various authorities. Procedures for granting operational and construction permits vary by local area. Furthermore, third parties may challenge a decision to grant the Group operational and construction permits after the Group has been granted the permits. Finally, the Group must comply with laws and regulations and the conditions contained in the operational and construction permits, and failure to do so may result in fines, sanctions, criminal penalties and/or the suspension, revocation or non-renewal of approvals, licences or permits. These factors could have an adverse effect on the Group's business, financial condition or results of operations.

Additionally, the PRC power generation industry has undergone and will continue to undergo regulatory reform. There can be no assurance that future regulatory reform will not have a material adverse effect on the Group's business, financial condition or results of operations. Changes in the regulatory regime governing the PRC's power generation industry, particularly with regard to the on-grid tariffs, will impact the Group's business and may have an adverse effect on the Group's results of operations.

The Group may be involved in legal and other proceedings arising in the ordinary course of its business.

In the ordinary course of the business of the Group, claims involving its suppliers, contractors, customers, employees and other third-party entities may be brought against the Group or by the Group. Claims may be brought against the Group for liabilities for personal injuries, damage to or destruction of property, breaches of warranty, termination of contracts or delayed payments to its suppliers or contractors. The Group may also bring claims against counterparties to preserve or enforce its contractual rights. The claims and charges may involve actual damages and contractually-agreed-upon liquidated sums. If the Group is found to be liable on any of the claims, it would have to incur a loss against earnings to the extent a reserve had not been established for the matter in its financial statements, or to the extent the claims were not sufficiently covered by the insurance coverage of the Group. Both claims brought against the Group and by the Group, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realised from project or other claims by the Group could differ materially from the balances included in the financial statements, resulting in a loss against earnings of the Group to the extent profit has already been accrued on a project or other contract. Charges and write-downs associated with claims brought against the Group have a material adverse impact on the financial condition, results of operations and cash flow of the Group. Moreover, legal proceedings resulting in judgments or findings against the Group may harm its reputation and damage its prospects for future contract awards and business.

The Group may not have adequate insurance to cover all potential liabilities or losses.

The Group faces various risks in connection with its businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. There can be no assurance that the insurance maintained by the Group will provide adequate coverage in certain circumstances. In particular, in accordance with industry practice in the PRC, the Group does not currently carry business interruption insurance, and the Group would not be compensated for any loss arising from the interruption in the Group's production operations. Although each of the Group's power plants and projects and coal mines has a track record of safe operation and none of them has suffered any material hazards to date, there can be no assurance that incidents, accidents or mishaps will not occur in the future. The occurrence of any such incident for which the Group is uninsured or inadequately insured may materially and adversely affect its business, financial condition and results of operations.

The Group's insurance policies are generally renewed on an annual basis, and there is no assurance that the Group will be able to renew these policies on similar or otherwise acceptable terms, if at all. If the Group were to

incur a serious uninsured loss or a loss that significantly exceeded the limits of its insurance policies, it could have a material adverse effect on its business, financial condition or results of operations.

Union Power and ShineWing, the auditors for the Guarantor’s consolidated financial statements, were subject to the administrative sanctions by relevant PRC authorities in relation to their audits of PRC companies in recent years.

Union Power and ShineWing, the Guarantor’s independent auditors, are registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the China Securities Regulatory Commission (the “CSRC”). Union Power and ShineWing respectively received a few administrative and regulatory actions, where the relevant PRC regulatory agencies indicated that there were certain accounting irregularities during audit processes carried out for its client company.

They have previously been under investigation, been issued administrative warnings or been fined in relation to its audit work. According to Union Power and ShineWing, (i) the relevant certified public accountants involved in the above-mentioned sanctions and investigations are not related to the Union Power or ShineWing’s team serving as the Guarantor’s auditors for the preparation and issuing of the audit and review reports for the Guarantor’s Historical Financial; (ii) the above-mentioned investigations, administrative warnings or sanctions do not disqualify the Union Power or ShineWing team from participating in the offering of the Bonds, (iii) have any impact on Union Power or ShineWing’s unqualified audit and review opinions for the Guarantor’s Historical Financial Statements or (iv) have any impact on Union Power or ShineWing’s ability to provide services to the Group.

However, there is no assurance that the above-mentioned investigations, administrative warnings or sanctions would not subject Union Power or ShineWing or any of its management, officers or employees to further sanctions imposed by PRC authorities. In addition, there can be no assurance that there will not be any other investigations or sanctions against Union Power or ShineWing or that any negative news about Union Power or ShineWing which affect investors’ confidence in companies and financial statements audited by it. Prospective investors should consider these factors prior to making any investment decision.

The Group may have difficulties in implementing and monitoring corporate policies across its subsidiaries and affiliated companies.

The Group strives to implement its corporate governance and operational and safety standards across each of its subsidiaries and affiliated companies in a uniform manner. Due to the Group’s recent expansion in the number of new projects, implementing and monitoring these standards may prove difficult and a failure to do so may result in violations of local regulations or the Group’s own internal policies. There can be no assurance that the Group can effectively monitor each subsidiary and affiliated company and prevent non-compliance. This may result in violations that could adversely affect the Group’s reputation and business prospects, which could materially and adversely affect its business, financial condition and results of operations.

The Yunnan Provincial Government can exert significant influence on the Group, and could cause the Group to make decisions or modify the scope of its activities, or impose new obligations on the Group that may not be in the Group’s best interest.

The Guarantor is a state-owned company and the Yunnan Provincial Government is in a position to significantly influence the Group’s major business decisions and strategies, including the scope of its activities, investment decisions and dividend policy. The Yunnan Provincial Government may use its ability to influence the Group’s business in a manner that may not be in the Group’s best interest. The Yunnan Provincial Government may also change its policies, intention, preferences, views, expectations, projections, forecasts and opinions, as a result of changes in the economic, political and social environment, its projections of population and employment growth. Any amendment, modification or repeal could modify the existing regulatory regime and materially and adversely affect the Group’s financial condition and results of operations.

The Guarantor may fail to manage successfully the assets, projects and subsidiaries in which the Guarantor does not have majority interests, or the Guarantor’s relationships with local partners.

The Group may not be able to execute successfully or fully the Group’s business strategy with respect to assets, projects or subsidiaries in which the Guarantor has minority interests. The Guarantor’s control over such assets,

projects and subsidiaries is generally subject to the terms of applicable agreements and arrangements. For example, through contractual arrangements with other equity owners, the Guarantor has the power to exercise certain control over the management, policies, business and affairs of certain of its subsidiaries in which the Guarantor does not have majority interests.

Furthermore, the Group conducts its project development activities through one or more joint venture companies with local partners. In general, local partners may be involved in sourcing new projects and carrying out various activities during the development phase. The Group generally enters into such partnerships where it believes it is able to benefit from the strong local insight and experience of local partners.

Under the current contractual arrangements, if other equity owners or the Guarantor's local partners fail to perform their respective obligations or otherwise breach the terms and conditions of the Guarantor's shareholding arrangements or partnerships, it could have a material adverse effect on the Guarantor's business, financial condition or results of operations.

If the Group fails to obtain or experiences material delays in obtaining the land use rights or the building ownership certificates for its operations, its business, financial condition and results of operations may be materially and adversely affected.

The Group acquires land and properties for its business operations from time to time, such as construction of project facilities. According to applicable PRC laws, the granting of land use rights is customarily conducted through a public tender and bidding process. The government determines the granting of the land use rights based on a number of factors, such as the reputation, track record and financial conditions of the bidders and project budgeting. The granting of the building ownership certificates is also subject to a number of conditions and procedures and sometimes requires documents and cooperation from contractors and third parties. Many of these factors are beyond the Group's control.

YEIG Infrastructure Investment Development Construction Co., Ltd. (雲南能投基礎設施投資開發建設有限公司), an indirect majority owned subsidiary of the Guarantor, is working with the Yunnan Provincial Government to undergo primary land development on a piece of land of 3,151.7 acres and secondary land development on a piece of land of 106.5 acres in Kunming, Yunnan Province. As at the date of this Offering Circular, the project is at the stage of land acquisition and resettlement of the primary land development programme. The Guarantor also purchased an office building on such land from a property developer and has already obtained the relevant building ownership certificate. In addition, Yunnan Energy Investment Weixin Energy Co., Ltd. (雲南能投威信能源有限公司) (“**Weixin Yunnan**”), an indirect majority owned subsidiary of the Guarantor, has operations on two parcels of land without land use rights certificates. According to the preliminary evaluation opinions issued by the relevant authorities, such land was approved to be used for construction of power generating facilities and coal mining facilities. Weixin Yunnan has constructed certain ancillary facilities (including office buildings, dormitory buildings and dining halls) on such land, but it has not obtained the relevant land use rights certificates or building ownership certificates. In addition, the Guarantor and certain subsidiaries of the Group are in the process of obtaining certain certificate of land use rights. There can be no assurance that the Group will be able to obtain the necessary land use rights certificates or building ownership certificates in a timely manner or at all. If the Group fails to obtain the requisite certificates or experiences significant delays in obtaining them, it may be required to suspend its operations, the construction of facilities, demolish the buildings, restore the site or may be subject to other administrative sanctions, and it may also be forced to relocate operations and incur additional costs associated therewith, which could materially and adversely affect the Group's business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Substantially all of the Group's assets are located in the PRC. Accordingly, its results of operations, financial position and prospects are, to a significant degree, affected by the economic, political and legal developments of the PRC.

The Group's business, financial condition, results of operations and prospects could be adversely affected by slowdowns in the Chinese economy.

A substantial part of the Group's revenue is derived from the PRC. The Group relies, to a significant degree, on domestic demand for electric power and energy resource to achieve revenue growth. Domestic demand for power

and energy resources is materially affected by industrial development, growth of private consumption and overall economic growth in the PRC. The global crisis in financial services and credit markets in 2008 caused a slowdown in the growth of the global economy. In 2015, the PRC Government adopted intensive reforms with the primary aim of restructuring and rebalancing the PRC economy towards a more sustainable model by focusing more on domestic consumption and away from investment and export fuelled growth. As a consequence of these reforms and instability in the recovery of international economy, China reported a gross domestic product of RMB68.91 trillion in 2015, representing year-on-year growth of 6.9 per cent. which was a record 25-year low. In 2016, China reported a gross domestic product of RMB74.41 trillion, representing year-on-year growth of 6.7 per cent., according to the statistic released by National Bureau of Statistics of China. In March 2016, Moody's Investors Service and Standard & Poor's Ratings Services changed China's credit rating outlook to "negative" from "stable", which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. In May 2017, Moody's Investors Service downgraded China's rating from AA3 to A1 and changed outlook to "stable" from "negative". On 21 September 2017, Standard & Poor's Rating Services cut China's credit rating by one notch from AA- to A+, which highlighted the country's surging debt burden and questioned the government's ability to enact reforms. The continuing effects of reform in the PRC and the sovereign debt crisis in Europe may have an adverse effect on the global and the PRC economies resulting in continuing uncertainty for the overall prospects for the global and the PRC economies this year and beyond. Any slowdown of the PRC economy may create a credit tightening environment, increase the Group's interest expense, or reduce domestic demand for power, resulting in a material adverse effect on its business, results of operations and financial condition.

Changes in the economic, political and social conditions in the PRC and policies adopted by the PRC Government could adversely affect the Group's results of operations and financial condition.

The PRC economy differs from the economies of most developed countries in many respects, including with respect to government involvement, level of development, economic growth rate, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented a series of measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises.

However, a large portion of productive assets in China remain owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC Government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on the Group's business.

The Group's operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC Government, such as changes in laws and regulations (or the interpretation thereof). In addition, the growth of power and energy resources demand in the PRC depends heavily on economic growth. If the PRC's economic growth slows down or if the PRC economy experiences a recession, the growth of power and energy resources may also slow down, and the Group's business prospects may be materially and adversely affected. The Group's operations and financial results, as well as its ability to satisfy its obligations under the Bonds, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

China's inflation and deflation may affect the prices of energy and various materials purchased, generated or sold by the Group.

Economic growth in the PRC has historically been accompanied by periods of high inflation. The PRC Government has implemented various policies from time to time to control inflation. The PRC Government has periodically introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies, increases in bank interest rates and measures to curb inflation, which has resulted in a decrease in the rate of inflation. The global economic crisis resulted in a slowing of the rate of inflation in January 2009 and thereafter into negative territory until November and December 2009 according to the National Bureau of Statistics of the PRC. In 2011, the annual inflation rate was 5.4 per cent. which led to the PRC Government raising lending interest rates and the reserve requirements for banks six times in 2011 to counter accelerating inflation. According to the National Bureau of Statistics of the PRC, the annual inflation rate for 2012 and 2013 fell to 2.6 per cent. as a result of the slowing economy and weakening further to 2 per cent. in 2014, below the

per cent. target set by the PRC Government. In 2015 and 2016, the annual inflation rate was 1.4% and 2.0%, respectively. Recently, concerns have arisen over deflationary pressures in China as a result of weak domestic demand. A prolonged period of deflation may result in falling profits, closure of plants and shrinking employment and incomes by companies and individuals, any of which could adversely affect the Group's business, financial condition or results of operations.

Interpretation and implementation of PRC laws and regulations involve significant uncertainties.

The Guarantor is incorporated and exists under the laws of the PRC. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC Government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new, and due to the limited volume of published cases and judicial interpretation and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. In particular, the PRC power generation industry is a highly regulated industry. Many aspects of the Group's business such as the connection and dispatch of power generation and the setting of on-grid and retail tariffs are subject to negotiations with the PRC Government and the relevant government authorities' approval. As the PRC legal system develops together with the PRC power generation industry, there can be no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have a material adverse effect on the Group's business operations.

Furthermore, the administration of PRC laws and regulations may be subject to a certain degree of discretion by the executive authorities. This has resulted in the outcome of dispute resolutions not being as consistent or predictable compared to other more developed jurisdictions. In addition, it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may adversely affect the legal protections and remedies that are available to the Group in its operations and to holders of the Bonds.

Certain PRC regulations governing PRC companies are less developed than those applicable to companies incorporated in more developed countries.

Most members of the Group are established in the PRC and are subject to PRC regulations governing PRC companies. These regulations contain certain provisions that are required to be included in the joint venture contracts, articles of association and all other major operational agreements of these PRC companies and are intended to regulate the internal affairs of these companies. These regulations in general, and the provisions for protection of shareholders' rights and access to information in particular, are less developed than those applicable to companies incorporated in Hong Kong, the United States, the United Kingdom and other developed countries or regions.

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

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon those persons in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts. In addition, recognition and enforcement in the PRC of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

The payment of dividends by the Guarantor's operating subsidiaries in the PRC is subject to restrictions under the PRC law.

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund the Guarantor's operations and to service its indebtedness depends upon dividends

received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from the Guarantor's subsidiaries may impact the Guarantor's ability to fund its operations and to service its indebtedness.

Any withdrawal of, or changes to, tax incentives in the PRC may adversely affect the Group's results of operations and financial condition.

On 16 March 2007, the PRC passed a new enterprise income tax law, or the Enterprise Income Tax Law (the "EIT law"), which took effect on 1 January 2008 and was amended on 24 February 2017. The EIT law imposes a uniform income tax rate of 25 per cent. for domestic enterprises and foreign invested enterprises, except for a number of preferential tax treatment schemes available to various enterprises. 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 (財務部海關總署國家稅務總局關於深入實施西部大開發戰略有關稅收政策問題的通知), the Announcement of the State Administration of Taxation on Issues Concerning Enterprise Income Tax Related with Enhancing the Western China Development Strategy (國家稅務總局關於深入實施西部大開發戰略有關企業所得稅關題的公告), certain of the Group's subsidiaries are entitled to preferential tax treatment, allowing them to enjoy a lower effective enterprise income tax rate until 2020. To the extent that there are any withdrawals of, or changes in, its preferential tax treatment, or increases in the applicable effective tax rate, the Group's tax liability may increase correspondingly.

Higher labour costs and inflation in the PRC may adversely affect the Group's business and its profitability.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Labour costs in the PRC have also risen in recent years as a result of the enactment of new labour laws and social development. Because the Group expects its production staff to increase, rising labour costs may increase the Group's operating costs and partially erode the cost advantage as a result of the business expansion of its PRC-based operations and therefore negatively impact the Group's profitability.

There can be no assurance of the accuracy or comparability of facts, forecasts and statistics contained in this Offering Circular with respect to the PRC, its economy or its power generation industry.

Facts, forecasts and statistics in this Offering Circular relating to the PRC, the PRC's economy and the power generation industry, including the Group's market share information, are derived from various official and other publicly available sources which are generally believed to be reliable. However, the Issuer and the Guarantor cannot guarantee the quality and reliability of such official source materials. In addition, these facts, forecasts and statistics have not been independently verified by the Issuer, the Guarantor and the Managers nor any of their respective affiliates or advisers, and therefore each of the Issuer, the Guarantor and the Managers make no representation as to the accuracy or fairness of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside the PRC and may not be complete or up to date.

Each of the Issuer and the Guarantor has taken reasonable care in reproducing or extracting the information from such sources. However, because of the possibly flawed or ineffective methodologies underlying the published information or discrepancies between the published information and market practice and other problems, these facts, forecasts and other statistics may be inaccurate or may not be comparable from period to period or be comparable to facts, forecasts or statistics produced for other economies. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts or statistics.

Fluctuations of the Renminbi exchange rate could affect the Group's financial condition and results of operations.

Most of the Group's revenues are generated by its subsidiaries in the PRC and are denominated in Renminbi. A portion of such revenues must be converted into other currencies to meet the relevant subsidiary's own foreign currency obligation. The value of the Renminbi against other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. On 21 July 2005, the PRC Government reformed its exchange rate regime by adopting a managed floating exchange rate regime based on market supply and demand. Under this regime, the Renminbi is no longer pegged to the US dollar but is permitted to fluctuate within a narrow and managed band with reference to a portfolio of currencies. On 11 August 2015, the PBOC

adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the change of rate of the primary international currencies. For three consecutive days commencing 11 August 2015, PBOC devalued the Renminbi against the US dollar, leading to declines in the value of the Renminbi versus the US dollars of up to 2.8 per cent. in currency markets, which was also the largest single-day drop in the value of the Renminbi since 1994. On 11 December 2015, the China Foreign Exchange Trade System (the “CFETS”), a sub-institutional organisation of PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. During 2016, along with the progressive interest rate increased by the U.S. Federal Reserve, the Renminbi accumulatively depreciated by 7.2% against the US dollar. There can be no assurance as to how and to what extent the exchange rate of the Renminbi will fluctuate against the US dollar or any other foreign currency in the future.

The Group has some overseas operations and is expected to expand its business in overseas countries, which requires the Group to make further investment dominated in foreign currencies, mostly US dollar. In the meantime, the Group’s US dollar-denominated borrowings has been on the rise. There is no guarantee that Renminbi would not continue to depreciate. As such, the Group’s operational cost and financing cost will increase as a result of depreciation of the Renminbi against the US dollar or any such other relevant foreign currencies and thus could have a material adverse effect on the Group’s business, financial condition and results of operations. Furthermore, the Group is also subject to translation risks as its consolidated financial statements are denominated in Renminbi while the financial statements of its subsidiaries are measured and presented in the currency of the primary economic environment in which the entity operates.

RISKS RELATING TO THE BONDS AND THE GUARANTEES

The Bonds and the Guarantees are unsecured obligations.

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

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer’s or the Guarantor’s future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer’s or the Guarantor’s indebtedness.

If any of these events were to occur, the Issuer’s or the Guarantor’s assets may not be sufficient to pay amounts due on the Bonds.

The Issuer or the Guarantor may not be able to redeem the Bonds upon the due date for redemption thereof.

The Issuer, at maturity or at any time following the occurrence of a Relevant Event (as defined in the Terms and Conditions of the Bonds), is required to redeem all but not some only of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer’s or the Guarantor’s failure to repay, repurchase or redeem the Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Group’s other indebtedness.

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

As at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. However, it is unclear whether the Issuer will be treated as a PRC tax resident enterprise for the purposes of the EIT Law. If the Issuer is treated as a PRC tax resident enterprise and is required to withhold tax from interest payments on the Bonds,

the Issuer will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding been required. As described under Condition 6(b) of the Terms and Conditions of the Bonds, if the Issuer is required to pay additional tax amounts as a result of any change in or amendment to, or any change in the application or official interpretation of, the laws or regulations of a relevant jurisdiction (including any change or amendment or change in the interpretation that requires the Issuer to withhold tax as a result of it being treated as a PRC tax resident enterprise), the Issuer may redeem the Bonds in whole, but not in part, at a redemption price equal to 100 per cent. of the principal amount together with interest accrued to, but excluding, the date fixed for redemption.

The date on which the Issuer elects to redeem the Bonds may not accord with the preference of particular Bondholders. In addition, a Bondholder may not be able to reinvest the redemption proceeds in comparable securities at the same rate of return of the Bonds.

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

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

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

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

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

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

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

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

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

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

A trading market for the Bonds may not develop.

The Bonds are a new issue of securities for which there is currently no trading market. There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. Although application will be made for the listing of the Bonds on the Hong Kong Stock Exchange, no assurance can be given as to the liquidity of, or trading marked for, the Bonds. The Managers are not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time at the sole discretion of the Managers. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, the holders of the Bonds will only be able to resell the Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. It is investors' obligation to ensure that offers and sales of the Bonds within any countries comply with applicable securities laws. Please see "*Subscription and Sale*". Neither the Issuer or the Guarantor can predict whether an active trading market for the Bonds will develop or be sustained.

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

Under the EIT Law and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will perhaps apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts

such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

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

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds.

According to the NDRC Notice, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium to long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans, and notify the particulars of the relevant issues or drawings within 10 business days after the issuance of the Bonds. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated 7 August 2018 from the NDRC in connection with the Pre-Issuance Registration.

The interpretation of the NDRC Notice may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements. In addition, the administration of the NDRC Notice may be subject to a certain degree of executive and policy discretion by the NDRC. There is also a risk that the registration approval with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

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

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

Investment in the Bonds is subject to exchange rate risks.

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

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation the giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and the taking of enforcement steps pursuant to Condition 15 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not first indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding

to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

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

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of the Bondholders, agree to any modification of the Trust Deed, the Terms and Conditions of the Bonds and/ or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds, the Trust Deed, the Terms and Conditions of the Bonds and/ or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of law.

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

The Guarantor's Consolidated Financial Statements were prepared in conformity with PRC GAAP, which differs from IFRS in certain aspects, and investors may have less confidence in the reliability of Guarantor's financial statements and adversely affect the market price of the Bonds.

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

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

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

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

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

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

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

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

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

USE OF PROCEEDS

The Issuer estimates that the net proceeds from the sale of the Bonds, after deducting commissions to be charged by the Managers and other estimated expenses payable in connection with the offering of the Bonds, will be approximately US\$[●] million. The Issuer proposes to use such proceeds to refinance the Group's existing indebtedness, to replenish the Group's working capital and for general corporate purpose.

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the markets during the prior day. The PBOC also takes into account other factors such as the general conditions existing in the international foreign exchange market. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's inter-bank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. On 21 July 2005, the PRC Government changed its decade-old policy of pegging the value of the Renminbi to that of the US dollar only, to allow the value of the Renminbi to fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. This change in policy has resulted in a significant appreciation of the Renminbi against the US dollar.

The PRC Government has made further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. According to the announcement, the exchange rate floating bands will remain the same as previously announced but the PBOC will place more emphasis on reflecting the market supply and demand with reference to a basket of currencies. On 12 April 2012, the PBOC announced that on 16 April 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the US dollar would be enlarged from 0.5 per cent. to 1.0 per cent. around the central parity rate, allowing the Renminbi to fluctuate against the US dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC. The PBOC announced on 15 March 2014 that since 17 March 2014, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar was further expanded from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and US dollar buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3.0 per cent. of the published central parity of the US dollar on that day, instead of 2.0 per cent. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. For three consecutive days commencing 11 August 2015, the PBOC devalued the Renminbi against the US dollar, leading to declines in the value of the Renminbi versus the US dollar of up to 2.8 per cent. in currency markets and representing the largest single-day drop in the value of the Renminbi since 1994. On 11 December 2015, CFETS, a sub-institutional organisation of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. During 2016, along with the progressive interest rate increased by the U.S. Federal Reserve, the Renminbi accumulatively depreciated by 7.2% against the US dollar.

Although PRC Governmental policies were introduced in 1996 to reduce restrictions on the convertibility of the Renminbi into foreign currency for current account items, conversion of the Renminbi into foreign currency for capital items, such as foreign direct investment, loans or security, requires the approval of SAFE and other relevant authorities.

The table below sets forth for the periods indicated, certain information concerning the exchange rates between Renminbi and US dollars. For periods after 1 January 2010, the exchange rates reflect the exchange rates as set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System of the United States.

Period	Exchange Rate			
	Period End	Average ⁽¹⁾	High	Low
		(RMB per US\$1.00)		
2010	6.6000	6.7603	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1478	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7569	6.9575	6.4773
2018				
January	6.2841	6.4233	6.5263	6.2841
February	6.3280	6.3183	6.3471	6.2649
March	6.2726	6.3174	6.3565	6.2685
April	6.3325	6.2967	6.3340	6.2655
May	6.4096	6.3701	6.4175	6.3325
June	6.6171	6.4651	6.6235	6.3850
July	6.8038	6.7164	6.8102	6.6123
August	6.8300	6.8453	6.9330	6.8018
September	6.8680	6.8551	6.8880	6.8270
October	6.9737	6.9191	6.9737	6.8680
November (through November 2)	6.8894	6.9050	6.9205	6.8894

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for monthly average rates, which are determined by averaging the daily rates during the respective months.

CAPITALISATION AND INDEBTEDNESS OF THE GUARANTOR

The table below sets forth the Guarantor's consolidated capitalisation and indebtedness as at 30 June 2018 on an actual basis and on an adjusted basis after giving effect to the issuance of the Bonds (before deducting the fees and commissions and other estimated expenses payable by the Issuer). The table below should be read in conjunction with the Guarantor's unaudited consolidated financial statements and related notes included elsewhere in this Offering Circular:

	As at 30 June 2018			
	Actual		As adjusted	
	(RMB in million)	(US\$ in million)	(RMB in million)	(US\$ in million)
Current Indebtedness				
– Short-term loans	8,880.4	1,342.0	8,880.4	1,342.0
– Long-term loans due within one year	1,461.1	220.8	1,461.1	220.8
– Bonds payable due within one year	4,511.1	681.7	4,511.1	681.7
– Other current liabilities	6,060.2	915.8	6,060.2	915.8
	20,912.8	3,160.4	20,912.8	3,160.4
Non-Current Indebtedness				
– Long-term loans	17,531.2	2,649.4	17,531.2	2,649.4
– Bonds payable	25,839.7	3,905.0	25,839.7	3,905.0
– Bonds to be issued ⁽¹⁾⁽²⁾	–	–	[●]	[●]
Total Indebtedness⁽³⁾	64,283.7	9,714.8	[●]	[●]
Total Owners' Equity	47,695.6	7,207.9	47,695.6	7,207.9
Total Capitalisation⁽⁴⁾	111,979.2	16,922.7	[●]	[●]

Notes:

- (1) This amount has been translated into Renminbi for convenience purpose at a rate of US\$1.00 to RMB6.6171 which was the noon buying rate for US dollars in New York City for cable transfers in Renminbi on 29 June 2018 as certified for customs purposes by the Federal Reserve Bank of New York.
- (2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the fees and commissions and other estimated expenses payable by the Issuer in connection with the issuance of the Bonds.
- (3) Total indebtedness comprises current indebtedness and non-current indebtedness.
- (4) Total capitalisation represents total indebtedness and total owners' equity.

On 9 July 2018 and 24 August 2018, respectively, the Guarantor issued two series of short-terms commercial papers ("CPs") in the PRC in the amount of RMB1 billion for each series. The maturity dates of the two series of CPs are 11 July 2019 and 28 August 2019 respectively.

On 8 August 2018 and 22 October 2018, respectively, the Guarantor issued two series of super and short-term commercial papers ("SCPs") in the PRC in the amounts of RMB1 billion and RMB2 billion, respectively. The maturity dates for the two series of SCPs are 7 May 2019 and 23 December 2018 respectively.

On 25 September 2018, the Guarantor issued medium-term notes in the PRC in the amount of RMB2 billion. The maturity of the medium-term notes is 27 September 2021.

Other than as disclosed above, there has been no material change to the capitalisation or indebtedness of the Company since 30 June 2018.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics is the text of the terms and conditions of the Bonds (as defined below) which will appear on the reverse of each of the definitive certificates evidencing the Bonds.

The issue of the US\$[●] [●] per cent. guaranteed bonds due [●] (the “**Bonds**”, which term shall include, unless the context requires otherwise, any additional Bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorised by a written resolution of the sole director of Yunnan Energy Investment Overseas Finance Company Ltd. (the “**Issuer**”) passed on 18 November 2018. The Bonds have the benefit of a deed of guarantee dated on or about [●] 2018 (as amended and/or supplemented from time to time, the “**Deed of Guarantee**”) provided by Yunnan Provincial Energy Investment Group Co., Ltd. (雲南省能源投資集團有限公司) (the “**Guarantor**”). The giving of the Guarantee (as defined in Condition 2(b)) was authorised by written resolutions of the directors of the Guarantor on 28 April 2018. The Issuer is a wholly-owned subsidiary of the Guarantor. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the “**Trust Deed**”) dated on or about [●] 2018 (the “**Issue Date**”) between the Issuer, the Guarantor and Citicorp International Limited as Trustee (the “**Trustee**” which expression shall include all persons for the time being the trustee or trustees appointed under the Trust Deed) for the Bondholders (as defined below). These terms and conditions (these “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the certificates representing the Bonds. An agency agreement dated on or about [●] 2018 (as amended or supplemented from time to time, the “**Agency Agreement**”) has been entered into in relation to the Bonds between the Issuer, the Guarantor, Citibank, N.A., London Branch as registrar (in such capacity, the “**Registrar**”, which expression shall include its successor(s)), Citibank, N.A., London Branch as transfer agent (in such capacity, the “**Transfer Agent**”, which expression shall include any other transfer agent appointed in connection with the Bonds) and as principal paying agent (in such capacity, the “**Principal Paying Agent**”, which expression shall include its successor(s)) and other agents named in it. References herein to the “**Agents**” are to the Registrar, the Transfer Agent, the Principal Paying Agent, any other Paying Agents, and any other agents appointed under the Agency Agreement and any reference to an “**Agent**” is to any of them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection at all reasonable times during usual office hours (9.00 a.m. to 3.00 p.m.) at the principal office for the time being of the Trustee, being at the date hereof 39th Floor, Champion Tower, Three Garden Road, 3 Garden Road, Central, Hong Kong following written request and satisfactory proof of holding. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Deed of Guarantee and those provisions of the Agency Agreement applicable to them. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 Form, Denomination and Title

- (a) **Form and denomination:** The Bonds are issued in registered form, in the denomination of US\$200,000 each and in integral multiples of US\$1,000 in excess thereof. A certificate (each, a “**Certificate**”) will be issued to each holder of Bonds in respect of its registered holding of Bonds. Each Certificate shall be numbered serially and shall have an identifying number which shall be recorded on the relevant Certificate and in the register of holders of the Bonds (the “**Register**”), which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement.
- (b) **Title:** Title to the Bonds shall pass only by transfer and registration of title in the Register as described in Condition 3. The holder of any Bond shall, except as otherwise required by law or as ordered by a court of competent jurisdiction, be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on (other than the endorsed form of transfer), or the theft or loss of, the Certificate issued in respect of it), and no person shall be liable for so treating the holder. In these Conditions, “**Bondholder**”, “**holder of the Bonds**” and “**holder**” in relation to a Bond shall mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first name thereof).

*Upon issue, the Bonds will be evidenced by a global certificate (the “**Global Certificate**”) registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A.. These Conditions are modified by certain provisions contained in the Global Certificate. See “**Summary of Provisions relating to the Bonds in Global Form**”.*

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

2 Status and Guarantee

- (a) **Status:** The Bonds constitute direct, unconditional, unsubordinated and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
- (b) **Guarantee:** The Guarantor has unconditionally and irrevocably guaranteed, the due payment in full of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. The Guarantor's obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Guarantor's other present and future unsecured and unsubordinated obligations.

3 Transfers of Bonds and Issue of Certificates

- (a) **Register:** The Issuer will cause the Register to be kept at the specified office of the Registrar and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers of the Bonds. Each Bondholder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.
- (b) **Transfers:** Subject to the Agency Agreement and Conditions 3(e) and 3(f) herein, a Bond may be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require to prove the title of the transferor and the authority of the individuals who have executed such form of transfer. In the case of a transfer of only part of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of the Bonds to a person who is already a holder of the Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers and registration of Bonds scheduled to the Agency Agreement. Such regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder following written request and provision of proof of holding satisfactory to the Registrar. No transfer of title to a Bond will be valid unless and until entered on the Register.

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

- (c) **Delivery of new Certificates:** Each new Certificate to be issued upon a transfer of the Bonds will, within seven business days (as defined below) of receipt by the Registrar or any Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s), be made available for collection at the specified office of the Registrar or such Transfer Agent or, if so requested in the form of transfer, be mailed by uninsured mail at the risk of the holder entitled to the Bonds but free of charge to the holder and at the Issuer's expense to the address specified in the form of transfer. The form of transfer is available at the specified office of the Registrar or any Transfer Agent.

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

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

- (d) **Formalities free of charge:** Registration of a transfer of Bonds and issuance of new Certificates will be effected without charge by or on behalf of the Issuer or any of the Agents, but upon (i) payment (or the giving of such indemnity and/or security and/or prefunding as the Issuer or any of the Agents may require) in respect of any tax, duties or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent (after consultation with the Issuer if so required) being satisfied that the regulations concerning transfer of Bonds have been complied with.
- (e) **Closed periods:** No Bondholder may require the transfer of a Bond to be registered during the period of (i) seven Payment Business Days (as defined in Condition 7) ending on (but excluding) the due date for any payment of principal in respect of that Bond, (ii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)), and (iii) after the exercise of the put option in Condition 6(c).
- (f) **Regulations:** All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds the initial form of which is scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon written request and provides proof of holding to the satisfaction of the Registrar and (ii) is available at the specified office of the Registrar for inspection by any Bondholder at all reasonable times during normal office hours (being 9.00 a.m. to 3.00 p.m.) following prior written request and proof of holding to the satisfaction of the Registrar.

4 Covenants

- (a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of their respective Subsidiaries will, create, incur, assume, permit to exist, or have outstanding, any mortgage, charge, lien, pledge, security interest or other security arrangement of any kind upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness of the Issuer, the Guarantor or any such Subsidiary (or any guarantee or indemnity in respect of such Relevant Indebtedness) without, in any such case, making effective provision whereby the Bonds will be secured either (i) at least equally and rateably with such Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness) or (ii) by such other security as shall have been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.
- (b) **Financial Statements etc.:** The Guarantor will be obliged to furnish the Trustee with a copy of its audited consolidated income statement, balance sheet and cash flow statement prepared in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, PRC for the relevant financial year within 180 days of the end of such financial year (in each case, together with any statement, reports including any directors' and auditors' reports and notes attached to or intended to be read with any of them), and if such statements shall be in the Chinese language, together with an English translation of the same translated by a nationally recognised firm of public accountants.

The Trustee may rely conclusively on any such translation and shall be entitled to assume that it is a complete and accurate translation of the original, and the Trustee shall not be responsible or liable to the Issuer, the Guarantor, any Bondholder, the Agents or any other person for doing so.

- (c) **Undertakings relating to NDRC and SAFE:** The Guarantor undertakes (A) to file or cause to be filed with the National Development and Reform Commission of the PRC (the “**NDRC**”) the relevant post-issuance filing, within 10 PRC Business Days after the relevant Issue Date and in accordance with the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Corporates (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) promulgated by the NDRC on 14 September 2015 which came into effect immediately (the “**Post-Issuance Filing**”); and (B) to file or cause to be filed with the Yunnan Branch (or other relevant branch) of the State Administration of Foreign Exchange (“**SAFE**”), the Deed of Guarantee within 15 PRC Business Days after the execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the “**Cross-Border Security Registration**”). The Guarantor shall use its best endeavours to complete the Post-Issuance Filing and the Cross-Border Security Registration and obtain a filing confirmation from the NDRC (or any other document evidencing the completion of filing issued by the NDRC) and a registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the issue of the Bonds and the Guarantee.

The Guarantor shall, within ten PRC Business Days after submission of the Post-Issuance Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) a certificate in English substantially in the form set out in the Trust Deed signed by an Authorised Officer (as defined in the Trust Deed) of the Guarantor confirming (A) the completion of the Post-Issuance Filing and the Cross-Border Security Registration and (B) that no Change of Control, Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred; and (ii) copies of the relevant documents evidencing the Post-Issuance Filing (if available) and the Cross-Border Security Registration, each certified in English by an Authorised Officer of the Guarantor as being a true and complete copy of the original (the “**Registration Documents**”). In addition, the Guarantor shall procure that within five PRC Business Days after the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 14) confirming the completion of the Post-Issuance Filing and the Cross-Border Security Registration.

- (d) **Definitions:** In these Conditions:

- (i) “**Person**” means any state-owned enterprise, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity;
- (ii) “**PRC**” means the People’s Republic of China which, for the purposes of these Conditions, shall not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- (iii) “**PRC Business Day**” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in Beijing;
- (iv) “**Registration Deadline**” means the day falling 120 PRC Business Days after the Issue Date;
- (v) “**Relevant Indebtedness**” of any Person means any indebtedness incurred outside the PRC that is in the form of, or represented or evidenced by any bonds, notes, debentures, loan stock or other securities, which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market; and
- (vi) a “**Subsidiary**” of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than

50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including [●] 2018 at the rate of [●] per cent. per annum, payable semi-annually in arrear in equal instalments of US\$[●] per Calculation Amount (as defined below) on [●] and [●] in each year (each an “**Interest Payment Date**”) commencing on [●] 2019. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder and (b) the day which is seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

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

Interest in respect of any Bond shall be calculated per US\$1,000 in principal amount of the Bonds (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

- (a) **Final redemption:** Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on [●] (the “**Maturity Date**”). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.
- (b) **Redemption for taxation reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days’ notice to the Bondholders and to the Trustee and the Principal Paying Agent in writing (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount together with accrued but unpaid interest up to, but excluding, the date fixed for redemption, if:
 - (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it (or, if the Guarantee was called, the Guarantor) has or will become obliged to pay Additional Tax Amounts as referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC, the British Virgin Islands (the “**BVI**”) or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a decision by a court of competent jurisdiction), which change or amendment becomes effective on or after [●] 2018, and
 - (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it,

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

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee (A) a certificate signed by an Authorised Officer of the Issuer (or of the Guarantor, as the case may be) stating that the obligation referred to in (i) above cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it and (B) an opinion, addressed to and in form and substance satisfactory to the Trustee, of independent tax or legal advisers of recognised standing to the effect that the Issuer (or the Guarantor, as the case may be) has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendments, and the Trustee shall be entitled (but shall not be obliged to) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in (i) and (ii) above without further enquiry and without incurring any liability to any Bondholder or any other person, in which event it shall be conclusive and binding on the Bondholders. All Bonds in respect of which any notice of redemption is given under this Condition 6(b) shall be redeemed on the date specified in such notice in accordance with this Condition 6(b).

- (c) **Redemption for Relevant Events:** At any time following the occurrence of a Relevant Event, a Bondholder will have the right, at such Bondholder's option, to require the Issuer to redeem all but not some only of that Bondholder's Bonds on the Put Settlement Date (as defined below) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a **"Put Exercise Notice"**), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 14.

The **"Put Settlement Date"** shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice in writing to Bondholders in accordance with Condition 14 and to the Trustee and the Principal Paying Agent in writing by not later than 14 days (in the case of a redemption for a Change of Control) or five PRC Business Days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

Neither the Trustee nor any of the Agents shall be obliged to take any steps to ascertain whether a Change of Control or No Registration Event has occurred or to monitor the occurrence of any Change of Control or No Registration Event and shall not be liable to the Bondholders or any other person for not doing so.

In these Conditions:

a **"Change of Control"** occurs when:

- (i) Yunnan SASAC or any other agency as designated by Yunnan SASAC ceases to own or control (whether directly or indirectly or in combination) at least 51 per cent. of the Voting Rights of the issued share capital of the Guarantor; or

- (ii) the Guarantor ceases to own or control (whether directly or indirectly or in combination) 100 per cent. of the Voting Rights of the issued share capital of the Issuer;

a “**No Registration Event**” occurs when the Registration Conditions have not been satisfied in full on or before the Registration Deadline;

a “**Person**” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity);

“**Registration Conditions**” means the receipt by the Trustee of the Registration Documents;

a “**Relevant Event**” means a Change of Control or a No Registration Event;

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

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

- (d) **Notice of redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date, in such place and in such manner as specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.
- (e) **Purchase:** The Issuer, the Guarantor and the Guarantor’s Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. Any Bonds purchased pursuant to this Condition 6(e) may be held, reissued, resold or surrendered to the Registrar for cancellation. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor or any of the Guarantor’s Subsidiaries, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of, among other things, calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 15.
- (f) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor’s Subsidiaries may be held, resold or surrendered to the Registrar for cancellation. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 Payments

(a) Method of Payment:

- (i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of the Principal Paying Agent or any other Paying Agent if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.
- (ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Bond shall be made in US dollars by transfer to the registered account of the Bondholder. In this Condition 7(a)(ii), “**business day**” means a day, other than a Saturday, a Sunday or a public holiday, on which each of the Registrar and the Principal Paying Agent is open for business in the place of its specified office.

- (iii) For the purposes of this Condition 7(a), a Bondholder's "registered account" means the US dollar account maintained by or on behalf of it with a bank that processes payments in US dollars, details of which appear on the Register at the close of business on the fifth Payment Business Day before the due date for payment.
- (iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

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

- (b) **Payment initiation:** Where payment is to be made by transfer to an account in US dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the Principal Paying Agent or such other Paying Agent is open for business and on which the relevant Certificate is surrendered.
- (c) **Payments subject to fiscal laws:** All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Bondholders in respect of such payments.
- (d) **Appointment of Agents:** The Registrar, the Principal Paying Agent and the Transfer Agent initially appointed by the Issuer and the Guarantor and their respective specified offices are listed below. The Registrar, the Principal Paying Agent and the Transfer Agent act solely as agents of the Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. Each of the Issuer and the Guarantor reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Registrar, the Principal Paying Agent, the Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer and the Guarantor shall at all times maintain (i) a Registrar, (ii) a Transfer Agent, (iii) a Principal Paying Agent and (iv) such other agents as may be required by other stock exchange on which the Bonds may be listed, in each case as approved in writing by the Trustee.

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

- (e) **Delay in payment:** Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).
- (f) **Non-Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, “**Payment Business Day**” means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Principal Paying Agent is located and on which banks and foreign exchange markets are open for business in Hong Kong, London and New York City.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for or on account of, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or the BVI or, in any case, any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC up to and including the aggregate rate applicable on [●] 2018 (the “**Applicable Rate**”), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer or, as the case may be, the Guarantor is required to make a deduction or withholding (i) by or within the PRC in excess of the Applicable Rate or (ii) by or within the BVI, the Issuer or, as the case may be, the Guarantor shall pay such additional amounts (the “**Additional Tax Amounts**”) as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

- (a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the BVI (in the case of payments made by the Issuer) or the PRC (in the case of payments made by the Guarantor) other than the mere holding of the Bond;
- (b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days; or
- (c) **Declaration:** to a Bondholder who would not be liable for or subject to such withholding or deduction by making a declaration of identity, non-residence or other similar claim for exemption to the relevant tax authority if, after having been requested to make such a declaration or claim, such holder fails to do so within any applicable period prescribed by such relevant tax authority.

“**Relevant Date**” in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date which is seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal, premium (if any) and/or interest shall be deemed to include any Additional Tax Amounts which may be payable under this Condition 8 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed, the Deed of Guarantee and the Bonds.

9 Events of Default

If any of the following events (each, an “**Event of Default**”) occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in aggregate principal amount of the Bonds

then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or prefunded to its satisfaction), give written notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

- (a) **Non-Payment:** there is failure to pay (i) the principal or premium (if applicable) of the Bonds on the date such amount is due and payable; or (ii) any interest on any of the Bonds when due, and such failure continues for a period of 30 days; or
- (b) **Breach of Other Obligations:** the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Bonds, the Deed of Guarantee or the Trust Deed (other than those referred to in Condition 9(a)) which default is, in the opinion of the Trustee, incapable of remedy or, if, in the opinion of the Trustee, remediable, is not remedied within 30 days after notice of such default shall have been given to the Issuer and the Guarantor by the Trustee; or
- (c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer, the Guarantor or any of the Material Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer, the Guarantor or any of the Material Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds (either individually or in aggregate) US\$20,000,000 or its equivalent (on the basis of the base rate for the purchase of US dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the day on which this Condition 9(c) operates); or
- (d) **Judgments and Enforcement Proceedings**
 - (i) any failure by the Guarantor, the Issuer or any Material Subsidiary to pay one or more final judgments from a court of competent jurisdiction, with an aggregate amount in excess of US\$20,000,000 or its equivalent (on the basis of the base rate for the purchase of US dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the day on which this Condition 9(d) operates), which judgments are not paid, discharged or stayed for a period of 30 days; or
 - (ii) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any substantial part of the property, assets or revenues of the Issuer, the Guarantor or any of the Material Subsidiaries and is not discharged or stayed within 60 days; or
- (e) **Security Enforced:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer, the Guarantor or any of the Material Subsidiaries over all or a substantial part of the assets of the Issuer, the Guarantor or the relevant Material Subsidiary, as the case may be, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver manager or other similar person) and is not discharged within 30 days; or
- (f) **Insolvency:** the Issuer, the Guarantor or any of the Material Subsidiaries is deemed by a court in a proceeding that has commenced to be insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Guarantor or any of the Material Subsidiaries, as the case may be; or
- (g) **Winding-up:** an administrator is appointed, an order of any court of competent jurisdiction is made or an effective resolution is passed for the winding-up or dissolution of the Issuer, the Guarantor or any of the Material Subsidiaries, or the Issuer, the Guarantor or any of the Material Subsidiaries

ceases or threatens to cease to carry on all or a substantial part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Material Subsidiary, whereby the undertaking and assets of such Material Subsidiary are transferred to or otherwise vested in the Issuer, the Guarantor or another of the Material Subsidiaries; or

- (h) **Nationalisation:** any step is taken by any person acting under the authority of any government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of any part of the assets of the Issuer, the Guarantor or any of the Material Subsidiaries, which individually or in aggregate would have a material adverse impact to the ability of the Issuer and/or the Guarantor to perform their respective obligations under the Bonds and the Trust Deed; or
- (i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor to lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee (other than with regard to the performance of and compliance with obligations thereunder which may be subject to the approval or other authorisation of PRC governmental authorities), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or
- (j) **Illegality:** it is or will become unlawful for either of or both of the Issuer and the Guarantor to perform or comply with any one or more of their respective obligations under the Bonds, the Trust Deed and/or the Deed of Guarantee; or
- (k) **Unenforceability of Guarantee:** the Guarantee is or becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or
- (l) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in Conditions 9(d) to 9(k) (both inclusive).

In this Condition 9:

“**Material Subsidiary**” means any Subsidiary of the Guarantor:

- (a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement is at least 10 per cent. of the consolidated revenue as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (b) whose gross profit or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least 10 per cent. of the consolidated gross profit as shown by the latest published audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries’ share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or
- (c) whose total assets or (in the case of a Subsidiary which itself has Subsidiaries) consolidated total assets, as shown by its latest audited balance sheet are at least 10 per cent. of the amount which equals the amount included in the consolidated total assets of the Guarantor and its Subsidiaries as shown by the latest published audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests;

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

- (i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;
- (ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or total assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;
- (iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor;
- (iv) if the accounts of any subsidiary (not being a Subsidiary referred to in proviso (i) above of this definition) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Material Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor prepared for this purpose by the Guarantor; and
- (v) in the case of a Subsidiary to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Material Subsidiary, the Material Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Material Subsidiary and the Subsidiary to which the assets are so transferred shall become a Material Subsidiary upon such transfer but shall cease to be a Material Subsidiary at the date on which the first published audited accounts (consolidated, if appropriate) of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Material Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition.

A certificate prepared by an Authorised Officer of the Guarantor, that in his opinion, a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all parties. The certificate shall, if there is a dispute as to whether any Subsidiary of the Guarantor is or is not a Material Subsidiary, be accompanied by a report by an nationally recognised firm of public accountants addressed to the Guarantor as to proper extraction of the figures used by the Guarantor in determining the Material Subsidiaries of the Guarantor and mathematical accuracy of the calculation.

10 Prescription

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within ten years (in the case of principal and premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

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

12 Meetings of Bondholders and Modification

- (a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (v) to modify or cancel the Deed of Guarantee (subject to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed). The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders thereafter.
- (b) **Modification and Waiver:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee which in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee which is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Bondholders by the Issuer as soon as practicable.
- (c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.
- (d) **Directions from Bondholders:** Notwithstanding anything to the contrary in these Conditions, the Trust Deed or the Agency Agreement, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed, the Agency Agreement or the Deed of Guarantee to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution and to be indemnified, provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and

liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such discretion or certification where the Trustee is seeking such directions or in the event that no such directions are received. Neither the Trustee nor any of the Agents shall be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions.

13 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, issue price and first payment of interest on them and, to the extent necessary, certain transfer restrictions as a result of applicable securities law) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13 and forming a single series with the Bonds. Any further securities forming a single series with the Bonds constituted by the Trust Deed shall be constituted by a deed supplemental to the Trust Deed and shall be guaranteed by the Guarantor pursuant to a deed supplemental to the Deed of Guarantee. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

14 Notices

Notices to the Bondholders shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, a Sunday or a public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held on behalf of Euroclear Bank SA/NV and Clearstream Banking S.A., any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear Bank S.A./N.V. and Clearstream Banking S.A. for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

15 Enforcement

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

16 Indemnification of the Trustee

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

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the

duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders.

The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising or the non-exercise of such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received.

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

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Bondholder shall not rely on the Trustee in respect thereof.

17 Governing Law

- (a) **Governing Law:** The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds, and any non-contractual obligations arising out of or in connection with them, are governed by and shall be construed in accordance with English law. A person who is not a party to the Trust Deed, the Agency Agreement or the Deed of Guarantee, has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of, or enjoy any benefit under, such documents, unless such documents provide otherwise.
- (b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes, which may arise out of or in connection with the Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds (“**Proceedings**”) may be brought in such courts. Each of the Issuer and the Guarantor has in the Trust Deed and the Guarantor has in the Deed of Guarantee, irrevocably submitted to the exclusive jurisdiction of such courts and waived any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

Agent for Service of Process: Each of the Issuer and the Guarantor irrevocably appoints Yunnan Energy Investment (HK) Co. Limited at Flat 2006, 20/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings based on any of the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement. If for any reason the Issuer or the Guarantor, as the case may be, does not have such an agent in Hong Kong, it will promptly appoint a substitute process agent and notify the Trustee and the Bondholders of such appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

- (c) **Waiver of Immunity:** Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and irrevocably consents to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

*The Global Certificate contain provisions which apply to the Bonds in respect of which a Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds (the “**Conditions**” or the “**Terms and Conditions of the Bonds**”) set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:*

The Bonds will be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, a common depositary on behalf of Euroclear and Clearstream.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

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

Payment

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

Calculation of Interest

So long as the Bonds are evidenced by the Global Certificate and the Global Certificate is held on behalf of the clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Terms and Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds evidenced by the Global Certificate.

Trustee’s Powers

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

Notices

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

Bondholder's Redemption

The Bondholder's redemption option in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent or any other Paying Agent of the principal amount of the Bonds in respect of which the option is exercised within the time limits specified in the Terms and Conditions of the Bonds.

Issuer's Redemption

The option of the Issuer provided for in Condition 6(b) of the Terms and Conditions of the Bonds shall be exercised by the Issuer giving notice to the Bondholders and the Trustee (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent within the time limits set out in and containing the information required by the Terms and Conditions of the Bonds.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear or Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear or Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Bonds in the relevant register of the Bondholders.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless such Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each US\$1,000 of the Bonds.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a limited liability company incorporated in the British Virgin Islands on 21 September 2016. Its registered office is at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

BUSINESS ACTIVITIES

The Issuer was established only for the purpose of issuing bonds including but not limited to the Bonds. So long as any Bond remains outstanding, the Issuer will not engage in any material activities other than entering into arrangements for the issue of any bonds including but not limited to the Bonds and on-lending of the proceeds thereof to the Guarantor or as it may direct. As at the date of this Offering Circular, the Issuer has not engaged, since its incorporation, in any material activities other than entering into arrangements for the issue of its US\$310 million 3.500 per cent. guaranteed bonds due 2019 and US\$130 million 4.250 per cent. guaranteed bonds due 2021, each issued in December 2016 (“**December 2016 Bonds**”), its US\$300 million 3.750 per cent. guaranteed bonds due 2020 and US\$300 million 4.250 per cent. guaranteed bonds due 2022, each issued in November 2017 (“**November 2017 Bonds**”) and on-lending of the proceeds thereof to the Group and the proposed issue of the Bonds and on-lending of the proceeds thereof to the Group. As at the date of this Offering Circular, other than the December 2016 Bonds and the November 2017 Bonds, the Issuer has no outstanding borrowings or contingent liabilities nor subsidiaries or employees.

SHARES

As at the date of this Offering Circular, the Issuer is authorised to issue a maximum of 50,000 shares of one class of no par value. As at the date of this Offering Circular, one ordinary share has been issued and credited as fully paid. None of the equity securities of the Issuer is listed or dealt in any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought as at the date of this Offering Circular.

DIRECTOR

As at the date of this Offering Circular, the sole director of the Issuer is Mr. Zhang Jincan. The sole director does not hold any shares or option to acquire shares of the Issuer.

FINANCIAL INFORMATION

As at the date of this Offering Circular, the Issuer has no material business or assets and has not prepared any financial statements since its incorporation.

DESCRIPTION OF THE GROUP

OVERVIEW

The Group is a leading state-owned energy company based in Yunnan Province. It was established by the Yunnan Provincial Government in 2012 in accordance with the Approval for Establishing Yunnan Provincial Energy Investment Group Co., Ltd. (Yun Zheng Fu [2012] No.4) (《雲南省人民政府關於同意組建雲南省能源投資集團有限公司的批復》(雲政複[2012] 4號)). In 2013, the Group was listed as one of the key state-owned enterprises in Yunnan Province. It has also been designated by the Yunnan Provincial Government as its sole strategic platform to engage in the investment, development and integration of the energy sector in Yunnan Province.

The Group focuses on the investment and development of the energy sector in Yunnan Province and has primarily engaged in power generation and sales, natural gas operations, coal production and sales as well as resources trading. Over the last five years, the Group has diversified its businesses into financial services, development and management of industrial parks, energy technology and salt and chemical production. In addition, even though a substantial proportion of the Group's operations and investments are conducted in Yunnan Province, the Group has since 2013 gradually expanded its business overseas.

The Guarantor, through its 185 subsidiaries and 64 investment companies (in which the Guarantor holds non-controlling interests) including joint venture companies, has invested in a diversified portfolio of hydropower, fossil fuel, wind power, natural gas, solar and other new energy projects that are of strategic importance to the economic and urban development of Yunnan Province. As at 30 June 2018, the Group held controlling interests in 13 hydropower stations (all of which are in operation), two fossil fuel power stations (one of which is in operation), ten wind farm projects (seven of which are in operation), one gas power station, as well as two solar power and waste-to-energy demonstration power projects (both of which are in operation) in Yunnan Province, and the consolidated installed capacity of these power stations in operation was 2,194.9 MW. In addition, as at 30 June 2018, the Group held non-controlling interests in 17 power companies, including 11 hydropower companies and six fossil fuel power companies. As at 30 June 2018, the total attributable installed capacity of the power stations operated by these investment companies was 10,835.8 MW. The investment income distributed by the Group's investment companies has historically contributed to a substantial portion of the Group's revenue and profit.

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the revenue of the Group was RMB41,865.7 million, RMB60,103.7 million, RMB74,973.6 million and RMB38,241.0 million, respectively. The table below sets forth the revenue from each business segment of the Group both as an absolute amount and as a percentage of the Group's revenue during the periods indicated:

	For the year ended 31 December						For the six months ended 30 June	
	2015		2016		2017		2018	
	(audited)		(audited and adjusted) ⁽¹⁾		(audited)		(unaudited)	
	Amount (RMB million)	Per cent. of total	Amount (RMB million)	Per cent. of total	Amount (RMB million)	Per cent. of total	Amount (RMB million)	Per cent. of total
Energy business ⁽²⁾	38,514.4	92.0	49,917.8	83.1%	67,463.5	90.0	34,504.6	90.2
Power generation and sales	2,220.6	5.3	1,609.7	2.7%	1,328.1	1.8	944.8	2.5
Natural gas operations	62.3	0.1	78.2	0.1%	172.9	0.2	121.9	0.3
Coal production and sales	20.7	0.0	9.7	0.0%	51.8	0.1	37.8	0.1
Resources trading	36,210.8	86.5	48,220.2	80.2%	65,910.7	87.9	33,400.1	87.3
Financial services ⁽³⁾	29.5	0.1	123.2	0.2%	123.9	0.2	121.7	0.3
Integrated businesses ⁽⁴⁾	535.5	1.3	2,137.1	3.6%	5,205.9	6.9	2,448.3	6.4
Investment income ⁽⁵⁾⁽⁶⁾	2,319.3	5.5	7,546.6	12.6%	2,025.4	2.7	1,166.5	3.1
Interest income ⁽⁷⁾	467.0	1.1	379.0	0.6%	154.9	0.2	0.0	0.0
Total	41,865.7	100.0	60,103.7	100.0	74,973.6	100.0	38,241.0	100.0

Notes:

- (1) The Guarantor's consolidated revenue breakdown as at 31 December 2016 included in its audited consolidated financial statements as at and for the year ended 31 December 2016 has been adjusted to reflect certain adjustments as detailed in notes (5) on page F-229. The Guarantor's consolidated revenue breakdown as at 31 December 2016 contained in the audited consolidated financial statements

as at and for the year ended 31 December 2015 has not been revised to reflect such adjustments. Potential investors must exercise caution when using the Guarantor's historical financial information to evaluate the financial condition and results of operations of the Guarantor.

- (2) Revenue from the energy business includes revenue from the renewable energy projects operated by the Guarantor. For details, please see *"Description of the Group – Description of the Group's Business – Energy Business – Power Generation and Sales – Renewable energy projects"*.
- (3) Revenue from financial services represents fees from providing financial consultancy services, interest income from entrusted loans, investment income from equity and fund investments, rental income from financial leasing and income from factoring services.
- (4) Revenue from integrated businesses represents the income from investment, development and management of industrial parks, energy technology business, production and sale of salt, salt-related products, chlor-alkali chemical and its related products and engineering construction. The Guarantor acquired a controlling interest in Yunnan Salt & Chemical Industry Co., Ltd. (雲南鹽化股份有限公司) in October 2015 (now known as Yunnan Energy Investment Co., Ltd (雲南能源投資股份有限公司)), following which the financial statements of Yunnan Salt & Chemical Industry Co., Ltd. were consolidated into the financial statements of the Group. For details about the acquisition and Yunnan Salt's business, see *"Description of the Group – Description of the Group's Businesses – Integrated Businesses – Salt Business"*.
- (5) Investment income represents the dividend income of the Group received from its investment companies in which the Group holds non-controlling interests. Given the nature of the Guarantor as an investment vehicle, carrying out investments constitutes one of its main business activities. The Group's management considers it appropriate to include such investment income in its revenue.
- (6) The increase in the Group's investment income during the year ended 31 December 2016 was largely due to its sale of a 15 per cent. interest in Three Gorges Jinsha River Chuanyun Hydropower Development Co., Ltd. (三峽金沙江川雲水電開發有限公司) to China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) in March 2016, resulting in RMB6,430.2 million of investment income.
- (7) Interest income represents primarily the interest payment received by the Guarantor on the loans granted to its investment companies engaged in the energy business. As those loans generally do not have a maturity date, such interest income is deemed to be a dividend distribution by the relevant investment companies and is included in the Group's revenue.

The Guarantor was established on 27 February 2012 and is beneficially controlled by Yunnan SASAC. Upon its establishment, the Guarantor was transferred, at book value, all of the hydro and equity assets of Yunnan Provincial Investment Holdings Group Co., Ltd. (雲南省投資控股集團有限公司) (an investment vehicle of the Yunnan Provincial Government) with the approval of the Yunnan Provincial Government. As at 30 June 2018, the Guarantor had a registered capital of RMB11,660.0 million and total assets of RMB121,421.2 million. The Group has been tasked to represent the Yunnan Provincial Government to invest in energy projects and create a platform for implementing the Yunnan Provincial Government's strategies on the exploitation and development of energy resources in Yunnan Province as well as investment in and cooperation with Southeast Asian nations on opportunities in the energy sector.

RECENT DEVELOPMENTS

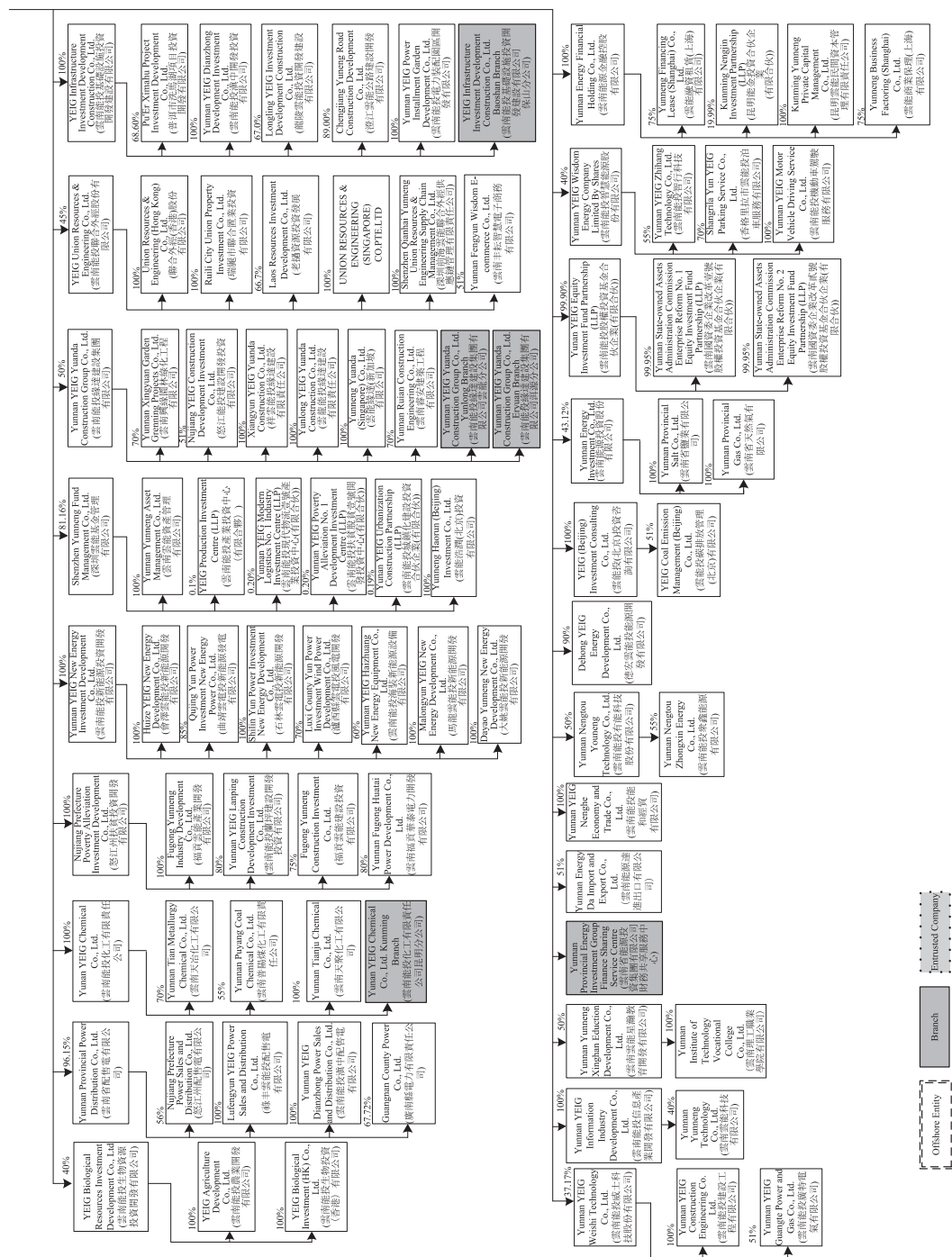
On 9 July 2018 and 24 August 2018, respectively, the Guarantor issued two series of CPs in the PRC in the amount of RMB1 billion for each series. The maturity dates of the two series of CPs are 11 July 2019 and 28 August 2019 respectively.

On 8 August 2018 and 22 October 2018, respectively, the Guarantor issued two series of SCPs in the PRC in the amounts of RMB1 billion and RMB2 billion, respectively. The maturity dates for the two series of SCPs are 7 May 2019 and 23 December 2018 respectively.

On 25 September 2018, the Guarantor issued medium-term notes in the PRC in the amount of RMB2 billion. The maturity of the medium-term notes is 27 September 2021.

The following chart sets forth a simplified corporate structure which illustrates the corporate relationships between the Guarantor, its shareholders, its principal subsidiaries and investment companies as at 30 September 2018:





COMPETITIVE STRENGTHS

The Group believes that its success is primarily attributable to the following key competitive strengths:

Sole investment platform to implement the energy strategies of the Yunnan Provincial Government

The Guarantor, beneficially controlled by Yunnan SASAC, is the sole investment platform of the Yunnan Provincial Government to implement its energy strategies which focuses on the exploitation and development of energy resources in Yunnan Province and on energy investments and cooperation with Southeast Asian nations. The Guarantor, through its subsidiaries and investment companies (in which the Guarantor holds non-controlling interests), has invested in a diversified portfolio of hydropower, fossil fuel, wind power, natural gas, solar and other new energy projects that are of strategic importance to the economic and urban development of Yunnan Province. In addition, in June 2016, the Yunnan Provincial Government issued the Official Reply on Approving the Establishment of Yunnan Provincial Power Sales and Distribution Co., Ltd. (《雲南省人民政府關於同意組建雲南省配售電有限公司批覆》), pursuant to which it granted approval to the Guarantor to establish a provincial power sales and distribution company. This company, which was named “Yunnan Provincial Power Sales and Distribution Co., Ltd.” (雲南省配售電有限公司), acts as the designated provincial strategic platform to implement a comprehensive pilot reform of Yunnan’s electricity sector and the sole power sales and distribution company in Yunnan Province. In August 2016, the Yunnan Provincial Government issued the Official Reply on Approving the Establishment of Yunnan Provincial Natural Gas Co., Ltd (關於同意組建雲南省天然氣有限公司的批覆), in which it granted approval to the Guarantor to establish a provincial natural gas company. This company, which was named “Yunnan Provincial Natural Gas Co., Ltd.” (雲南省天然氣有限公司), acts as the Yunnan Provincial Government’s exclusively platform for implementing the Yunnan Provincial Government’s natural gas strategies and policies, to coordinate and develop Yunnan’s natural gas resources and be responsible for the related infrastructure investment and development, marketing and industrial incubation. According to the 2018 Chinese 500 Top Enterprises Forum, the Group was ranked 224th among China’s top 500 enterprises, measured by revenue in 2016.

Yunnan Province, located in Southwest China, has abundant energy resources, particularly natural resources of water. The water resources in Yunnan Province which spans six rivers (namely Jin Sha River, Nu River, Red River, Pearl River, Lan Cang River and Irrawaddy River) are estimated to have a potential power generating capacity of 103,640 MW according to the Yunnan Provincial Government as at the end of 2017, ranking third in China. In addition, Yunnan Province was one of the first provinces to be approved by the PRC central government to introduce a comprehensive “pilot” reform in the energy sector with the aim of introducing more competition in the sector so as to improve efficiency in the energy market and to optimise the energy supply and distribution structure in Yunnan Province.

In addition, Yunnan Province is geographically proximate to Southeast Asian and South Asian nations, making it a strategically important province within the PRC to build closer ties and to enhance greater cooperation with these nations. For instance, the first stop in China of the 793-kilometre long Sino-Myanmar Pipeline (中緬管道), which transports natural gas, is in Ruili (瑞麗), a city in west Yunnan Province. The Guarantor’s unique background and market position, in turn, allows the Group to be ideally positioned to implement and benefit from the PRC Government’s “One Belt, One Road” initiative and the related “Go Global” strategy of the Yunnan Provincial Government and to access many business opportunities in the energy sector in Southeast Asia. As at the date of this Offering Circular, the Guarantor has been commissioned by the Yunnan Provincial Government to open 12 representative offices in the United States, France, Singapore, Macau, Indonesia, Bhutan, Timor-Leste, Nepal, Myanmar, Vietnam, Thailand and Bangladesh.

Strong governmental support together with the Group’s five “provincial-level platform” companies

Since its inception, the Group has received strong governmental support. When the Group was established, Yunnan SASAC procured the transfer of a number of key assets to the Guarantor from the Guarantor’s controlling shareholder, Yunnan Provincial Investment Holdings Group Co., Ltd., including but not limited to the 55.01 per cent. equity interest in Yunnan Provincial Power Investment Co., Ltd. Over the years, the Group has continued to benefit from various favourable governmental policies, government grants and subsidies and preferential tax treatments.

As part of the PRC’s nation-wide reform to increase the efficiency and competitiveness of state-owned enterprises, the Group became the pilot for implementing the “state-owned capital investment companies” in

Yunnan Province. These investment companies are expected to be positioned as a new conduit between the State-owned Assets Supervision and Administration Commission of the State Council (“SASAC”) and state-owned enterprises, acting as state shareholders to hold and manage state-owned investments in such enterprises and to take over many of the SOE management functions currently performed by the SASAC.

In addition, the Group has established five “provincial-level platform” companies, which have received strong support from the Yunnan Provincial Government and act as the provincial government’s conduit to implement its strategies and policies in the relevant industry sectors. The Group’s businesses and operations have greatly benefited, and expect to continue benefiting, from operating these “platform” companies, as described below:

- Yunnan Provincial Power Investment Co., Ltd. (雲南省電力投資有限公司): In January 2006, the Yunnan Provincial Government approved the establishment of this company to be the power construction investment, operations and financing platform for Yunnan Province.
- Yunnan Provincial Power Sales and Distribution Co., Ltd. (雲南省配售電有限公司): This power sales and distribution company was established in June 2016, pursuant to the Official Reply on Approving the Establishment of Yunnan Provincial Power Sales and Distribution Co., Ltd. (雲南省人民政府關於同意組建雲南省配售電有限公司批覆) issued by the Yunnan Provincial Government. It acts as the designated provincial strategic platform of the Yunnan Provincial Government to implement a comprehensive pilot reform of Yunnan’s electricity sector and to act as the sole power sales and distribution company in Yunnan Province. As at 30 September 2018, the total amount of electricity sold by it was 4.48 billion kWh. In addition, on 28 April 2016, Yunnan Nengtou Dianzhong Electricity Placing Co., Ltd. (雲南能投滇中配售電有限公司), of which Yunnan Provincial Power Sales and Distribution Co., Ltd. is a subsidiary, received a power supply operation licence issued by the Yunnan Provincial Industry and Information Technology Commission (雲南省工業和信息化委員會) and became the first electricity supply company to obtain electricity distribution network operation rights. On 26 January, 2018, Yunnan Province Placing and Trading Co., Ltd. obtained the power supply operation licence issued by the Yunnan Provincial Industry and Information Technology Commission. It is expected to be designated by this Commission to be the main entity responsible for developing the storage pool of redundant hydropower in Yunnan Province. For the six months ended 30 June 2018, Yunnan Provincial Power Sales and Distribution Co., Ltd. distributed approximately 3.648 billion kWh of power in total to 75 enterprises in Yunnan Province.
- Yunnan Provincial Natural Gas Co., Ltd. (雲南省天然氣有限公司): This natural gas company was established in August 2016 pursuant to the Official Reply on Approving the Establishment of Yunnan Provincial Natural Gas Co., Ltd. (雲南省人民政府關於同意組建雲南省天然氣有限公司批覆) issued by the Yunnan Provincial Government. It acts as the Yunnan Provincial Government’s exclusively designated platform to implement provincial level natural gas strategies and policies, to coordinate and develop Yunnan’s natural gas resources and be responsible for the related infrastructure investment and development, marketing and industrial incubation. It is currently focussed on the development of 18 natural gas pipelines (total length of 1,500 kilometres), four emergency gas reserve centres and one compressed natural gas station. As at the date of this Offering Circular, nine natural gas pipelines and one emergency gas reserve centres are currently under construction, while work on the other two emergency gas reserve centres are in their preliminary stages.
- Yunnan Provincial Energy Research Institute Co., Ltd. (雲南省能源研究院有限公司): This company was established by the Group, with the support of the Yunnan Provincial Government, in January 2015 to be responsible for the research and development of energy technologies, industrial promotion and construction of demonstration bases, industry development planning and consulting, training of specialised top talent, establishment of an industry think tank, and the internationalisation of the energy industry for Yunnan Province.
- Yunnan Provincial Salt Co., Ltd. (雲南省鹽業有限公司): This company was established in November 2016 pursuant to the Official Reply on Approving the Establishment of Yunnan Provincial Salt Co., Ltd. (雲南省人民政府關於同意組建雲南省鹽業有限公司批覆) issued by the Yunnan Provincial Government. It was established based on the salt production and sales assets of Yunnan Energy Investment Co., Ltd. (雲南省能源投資股份有限公司) and to act as Yunnan Province’s salt business platform, focusing on its core table salt business and on developing its own marketing and sales channels. It has four production units (including its Kunming salt mine, Puer salt production branch, Yipinglang salt mine and Qiaohou salt mine) and is the only designated salt production company in Yunnan Province. As at the date of this Offering Circular, this company has four production units, 15 sales centres across Yunnan Province and 24 iodised

salt distribution centres. The Group intends to develop Yunnan Provincial Salt Co., Ltd. into one of the leading salt enterprises in the PRC and the best salt enterprise in Southwest China.

Strategies of the Group highly aligned with the PRC Government's energy strategies adopted at both the national and provincial levels

As the sole strategic platform of the Yunnan Provincial Government in the energy sector, the Group's strategies are highly aligned with the PRC Government's energy strategies adopted at both the national and provincial levels:

- **Energy composition reform:** According to its national energy reform plan, the PRC Government plans to reduce the proportion of coal consumption and to increase the proportion of coal consumption for electricity generation. According to Yunnan Province's 13th five year plan ("**Yunnan 13th Five Year Plan**"), the Yunnan Provincial Government also plans to reduce the proportion of coal consumption and to increase the utilisation of natural gas. The Group, with its five "provincial-level platform" companies focusing on the distribution of electricity, natural gas, electricity investment, salt business and energy research institute and five "Strategic Emerging Industry Sector" companies as described below, conducts businesses aligned with the above national and provincial energy composition reform plans.
- **Clean energy:** According to the national energy reform plan, the PRC Government encourages the widespread usage of natural gas, the advance development of hydropower and nuclear power and the steady development of reusable energy such as wind and solar power. According to the Yunnan 13th Five Year Plan, the Yunnan Provincial Government plans to develop the "Yunnan" hydropower brand and promote Yunnan Province to become a national base for clean energy and for moving power generated in Western China to Eastern China. In addition, the Yunnan Provincial Government plans to construct pipelines for petroleum and natural gas and to develop wind power and photovoltaic projects. Consistent with such strategies, the Group has invested in large-scale hydropower stations and established Yunnan Provincial Natural Gas Co., Ltd. to be responsible for promoting the usage of natural gas in Yunnan Province and consolidating all the natural gas resources in Yunnan Province.
- **Energy infrastructure:** According to its national energy reform plan, the PRC Government plans to increase the construction of peak-load power plants, to enhance the electricity pricing mechanism, and to promote the upgrade of power grid systems in rural areas and power distribution network in cities. According to the Yunnan 13th Five Year Plan, the Yunnan Provincial Government plans to construct a strong power grid for the entire Yunnan Province, to speed up the construction of cross-region power exchange hubs, and to develop a stable supply system for oil and natural gas. In line with the above plans, the Group has established Yunnan Provincial Power Sales and Distribution Co., Ltd., which is expected to lead the "supply-side" structural reform of the energy sector in Yunnan Province, and plans to enhance the power distribution grid facilities for the few industrial parks operated by the Group and to continue promoting cooperation in hydropower, power grid and new energy projects across the Southeast Asia region.
- **Hydropower:** According to the Notice on the promotion of consumption of hydropower in Southwest China 《關於促進西南地區水電消納的通知》 issued by the NDRC and the National Energy Administration, the PRC Government plans to reduce water wastage in Southwest China, encourage the use of hydropower and promote the reformation and advancement of energy composition. Consistent with such policies, the Group has invested in large-scale hydropower stations. As at 30 June 2018, the Group controlled and operated 13 hydropower plants and held non-controlling interests in 11 hydropower companies.
- **Energy technologies:** According to the national energy reform plan, the PRC Government plans to promote the usage of "intelligent" technologies in the energy sector. According to the Yunnan 13th Five Year Plan, the Yunnan Provincial Government plans to promote innovative energy technologies and the usage of "Internet Plus" technologies. The Group operates four major technology platforms (Yunnan Energy Investment Weith Technology Co., Ltd. (雲南能投威士科技股份有限公司), YEIG Huilong Technologies Co., Ltd. (雲南能投匯龍科技股份有限公司), YEIG Youneng Technology Co., Ltd. (雲南能投有能科技股份有限公司) and YEIG Information Industry Development Co., Ltd. (雲南能投信息產業開發有限公司)) with technical support provided by Yunnan Provincial Energy Research Institute Co., Ltd. The Group has also developed the "Energy Cloud" as its operation monitoring platform.

Well-positioned to capture the growth opportunities in the development of clean energy sector with a diversified portfolio of high-quality clean energy assets

The Group has historically focused on the energy sector, which contributed a substantial part of its revenue during the three years ended 31 December 2017 and the six months ended 30 June 2018. It has invested, either as a controlling or non-controlling stakeholder, in a diversified portfolio of power projects in Yunnan Province. As at 30 June 2018, the Group held controlling interests in 13 hydropower stations (all of which are in operation), two fossil fuel power stations (one of which is in operation), ten wind farm projects (seven of which are in operation), one gas power station, as well as two solar power and waste-to-energy demonstration power projects (both of which are in operation) in Yunnan Province, and the consolidated installed capacity of these power stations in operation was 2,194.9 MW. A majority of the hydropower stations invested by the Group are strategically located along the valleys of Jin Sha River, Nu River, and Lan Cang River, which are believed to have abundant hydro resources. Approximately 90 per cent. of the electricity generated by these stations is sold to the Yunnan Branch of China Southern Power Grid. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group's revenue from power generation and sales was RMB2,220.6 million, RMB1,609.7 million, RMB1,328.1 million and RMB944.8 million, respectively.

The Group holds non-controlling interests in 17 power companies which operate high-quality power plants, including 11 hydropower companies and six fossil fuel power companies. As at 30 June 2018, the total attributable installed capacity of the power stations operated by these investment companies was 10,835.8 MW. For the years ended 31 December 2015, 2016 and 2017, the aggregated cash dividends that the Group received from its investments accounted for under the equity method of accounting under PRC GAAP, derived mainly from Huaneng Lancang River Hydropower Co., Ltd. (華能瀾滄江水電有限公司), China Yangtze Power Co., Ltd (中國長江電力股份有限公司) and Yunnan Huadian Jinsha River Hydropower Development Co., Ltd. (雲南華電金沙江中游水電開發有限公司) were RMB2,376 million, RMB1,683 million and RMB834.6 million, respectively.

The Group has engaged in city natural gas pipeline construction, natural gas station operation and energy resource system development and operations. As at 30 June 2018, the Group had nine natural gas branch pipeline projects in construction and had received the concession to operate natural gas business in Zhaotong (昭通), Xuanwei (宣威), Pu'er (普洱), Fumin (富民), Xishuangbanna (西雙版納) and Yuxi (玉溪). In addition, in August 2016, the Yunnan Provincial Government granted an approval for the Guarantor to establish a provincial natural gas company. This company, which was named "Yunnan Provincial Natural Gas Co., Ltd" (雲南省天然氣有限公司), acts as the Yunnan Provincial Government's exclusively designated platform to implement the Yunnan Provincial Government's natural gas strategies and policies and to coordinate and develop Yunnan's natural gas resources and be responsible for the related infrastructure investment and development, marketing and industrial incubation.

According to the NDRC and the National Energy Administration ("NEA"), demand for natural gas in China increased from 41 billion m3 in 2004 to 206 billion m3 in 2016, and supply of natural gas in China increased from 150 billion m3 in 2012 to 209 billion m3 in 2016. According to the Chinese Wind Energy Association and NEA, the total installed capacity of wind power stations in China increased from 44,733 MW as at 31 December 2010 to 168,730 MW as at 31 December 2016, representing a compound annual growth rate of 24.8 per cent. and the total installed capacity of solar power stations in China increased from 43,180 MW as at 31 December 2015 to 77,420 MW as at 31 December 2016, representing a growth rate of 79.3 per cent. According to the National Bureau of Statistics, the consumption of new energy reached approximately 859 million tonnes of coal equivalent in 2016, accounting for 19.7 per cent. of the total energy consumption as compared to 14.5% in 2012. The Guarantor believes that its clean energy asset portfolio has allowed and will continue to help it to capture the business opportunities presented by the growth of China's clean energy sector.

Access to broad financing channels which helps to secure adequate capital resources and achieve optimal capital structure

The Group has access to various sources of capital to secure sufficient liquidity and to achieve an optimal capital structure. The Group has cultivated a long-term and close relationship with a number of reputable domestic and international banks, including Bank of China, Citi, HSBC, Standard Chartered Bank, Agricultural Bank of China, China Merchant Bank, China Construction Bank, China Minsheng Banking Corp., Ltd., Hang Seng Bank, Industrial Bank, Bank of Communications, Ping An Bank, China Guangfa Bank, ICBC, UBS and UOB. As at 30 June 2018, the Group had obtained credit facilities of approximately 109,889 million in aggregate, out of which 57,486 million

had not been utilised. The Guarantor also participates in the onshore and offshore debt capital markets, including the issue of seven series of medium-term notes, 13 series of short-term financing bills, 22 series of super-short-term financing bills, 12 series of privately placed financing instrument, 6 corporate bonds and 1 enterprise bond in China, as well as seven RMB bonds with a principal amount of RMB600 million in October 2014, US dollar bonds with a principal amount of US\$300 million in April 2016, US dollar bonds with an aggregate principal amount of US\$440 million in December 2016 and US dollar bonds with an aggregate principal amount of US\$0.6 billion in November 2017. As at 30 June 2018, the Group has formed nine funds, three of which are not yet operational, with an expected total commitment amount of RMB17.4 billion to provide funding for its subsidiaries and investment companies, including: Kunming Agricultural Bank Energy Investment Center (昆明農銀能源投資中心), Yunnan State-owned Industrial Investment Center (雲南國資壹號產業投資中心), YEIG Industry Investment Center (雲南能投產業投資中心), YEIG Five Networks Construction Investment Center (雲南能投五網建設投資中心), YEIG Modern Logistics Industrial Investment Center (雲南能投現代物流壹號產業投資中心), YEIG Poverty Alleviation and Reduction Development Investment Center (雲南能投扶貧脫貧壹號開發投資中心), Yunnan Energy Industry Investment Center (雲南能源產業投資中心) (not operational), YEIG Industrial Park Investment Center (雲南能投園區產業投資中心) (not operational) and YEIG Venture Investment Center (雲南能投創新創投投資中心) (not operational). In addition, the Guarantor and its subsidiaries have been able to obtain low-cost capital by issuing insurance products, asset management products and entering into financial leasing arrangements with major PRC financial institutions.

The Group's diversified financing channels have also helped the Group to achieve an optimal capital structure and to increase financial stability. As at 30 June 2018, the Group had total indebtedness (comprising short-term and long-term loans, bonds payable, long-term loans due within one year, bonds payable due within one year and other current liabilities) in the total amount of RMB64,284 million, of which 7.02 per cent. were short-term due within one year. The Group has monitored and will continue to closely monitor the changes in the financial markets to select financing channels in a strategic manner to control financing costs and achieve optimal capital structure, particularly in a volatile environment.

Sound corporate governance implemented by a team of dedicated and experienced senior management

The Guarantor has established a sound and efficient corporate governance structure which is in line with the modern corporate practice. The board of directors of the Guarantor is the highest decision-making authority. In accordance with the Company Law of the PRC (中華人民共和國公司法), the Group has set up the board of supervisors to monitor and oversee the actions of the board of directors and the management of the Guarantor. The Guarantor's functional departments and committees under the board of directors (namely the strategic investment decision management committee, the audit and risk control committee, the nomination and performance evaluation committee and the budget and fund management committee) supervise the medium-to-long term investments and capital operation across the Group's business segments and report to the Guarantor's board of directors. They also lead the major business initiatives of the operating subsidiaries of the Guarantor. The Guarantor's disciplinary inspection office and legal and audit department are responsible for overseeing the external and internal compliance of members and employees of the Group. By forming detailed internal rules and guidelines and holding individual employees to adhere to those rules and guidelines, the Guarantor endeavours to enhance the impact and function of its internal control system. Yunnan SASAC approves and supervises the implementation of major investment projects of the Guarantor, approves the amendment of the Guarantor's articles of associations, approves the Guarantor's bond issuance (including medium to long-term bonds) and material disposal of assets of the Guarantor. It also supervises the party organisation in the Guarantor. Establishment of the party system, including the ideological and organizational establishment, is led by the Party Committee of Yunnan SASAC.

The Group has an experienced management team which possesses extensive investment expertise and leadership. The management team is critical in spearheading and sustaining the Group's growth and development. Mr. Duan Wenquan, chairman of the board of directors of the Guarantor, has over 20 years' experience in the hydropower industry and corporate management. The members of the Guarantor's Board of Directors and senior management on average have over 20 years of experience in the management of large state-owned enterprises and in the businesses and sectors in which the Group operate. See "*Directors, Supervisors and Senior Management of the Guarantor*". Most of the Guarantor's directors and senior management are designated and appointed by Yunnan SASAC, who are primarily responsible for ensuring alignment of the strategies and interest of the Group with the Yunnan Provincial Government's policies and development plans. The Group's management team will continue to lead the Group to capture market opportunities, implement the Group's strategies and enhance its leadership position.

BUSINESS STRATEGIES

The Group's goal is to become a multi-national corporation with competitive advantages in the PRC's energy sector and a fully integrated energy industry value chain. The Group intends to implement the following business strategies to achieve its goal:

Continue to focus on the energy sector and enhance its industry competitiveness

The Group intends to continue to direct its efforts in expanding its power generation business which is key to its future growth and stable development. The power generation business plays a critical role in securing the energy supply in Yunnan. The Group will continue to focus on hydropower projects to leverage the hydro resources in Yunnan. Meanwhile, it will continue to increase its investment in natural gas, wind power, solar power and other clean energy projects. The Group will promote development of products such as hydroelectric aluminium/silicon, new energy vehicles and advanced energy equipment in Yunnan Province so as to improve the industrial transformation and upgrading of Yunnan Province.

Actively participate in the “One Belt, One Road” initiative to increase investment in and cooperation with Southeast Asian nations

The Group intends to actively participate in the “One Belt, One Road” initiative to increase investment in the energy sector in Southeast Asian nations. It will continue to leverage the geographical advantage of Yunnan Province and assist the Yunnan Provincial Government to enhance cooperation with Southeast Asian nations. As at the date of this Offering Circular, the Group has been participating in the development of hydropower and gas fired power plant projects in Laos and/or Myanmar. It also plans to develop an electricity trading centre covering Southeast Asia and South Asia. The Group believes that the energy and power projects across the borders between Yunnan Province and those countries will not only provide an increasing number of opportunities to grow its business and revenue, certain projects, such as natural gas pipeline construction projects, may also help to secure additional supply of energy and electricity for Yunnan Province and other cities in Southwest China.

Continue to develop its diversified business portfolio

The Group will continue to develop its integrated ancillary energy businesses, including energy resources trading, infrastructure, energy equipment (such as the development of an industrial park for power equipment and facilities) and energy technology (including energy-saving and environmental protection technology), salt business and chemical production to increase the synergy with and the value of its main energy businesses. The Group also operates in a number of ancillary businesses covering finance, hydraulic projects, information technology and international business development. In particular, the Group intends to continue developing its financial services business to promote the integration and synergy between such business and the Group's other businesses such as energy and integrated businesses. In addition, the Group plans to continue investing in and expanding its international business in the future and, in particular, to actively participate in the “One Belt, One Road” initiative.

Continue to increase investment in clean energy sector

The Group believes the clean energy industry has great potential for future growth. With the relatively strong growth of China's economy, energy demand is expected to continue to rise. The PRC Government has set the strategic target to decrease the carbon dioxide intensity per dollar of gross domestic product by 40 per cent. to 45 per cent. by 2020 and 60-65 per cent. by 2030 compared to 2006. In its 13th Five-Year Plan, the PRC Government set the development of clean and low-carbon energy resources as one of its main goals and places increasing attention on the importance of environment protection. The Group intends to continue to increase its investments in clean energy industry projects to capture the increasing business opportunities. Among others, the Group plans to continue materialising the operations of “Yunnan Provincial Natural Gas Co., Ltd.”, the exclusive designated platform of the Yunnan Provincial Government to implement the Yunnan Provincial Government's natural gas strategies and policies, to coordinate and develop Yunnan's natural gas resources and to be responsible for the related infrastructure investment and development, marketing and industrial incubation.

Continue to adhere to prudent financial policies with stringent risk control and enhanced financial management

The Group plans to continue to adhere to its prudent financial policies with stringent risk control and enhanced financial management. The Group has established a capital management system to monitor capital, capital

efficiency and capital risk prevention, thereby effectively enhancing the results and efficiency of overall management. For financial management, the Group will continue to focus on financial risk control, company growth, value creation, implementation of budget management and establishment of information platform in order to encourage communications and interaction between business operation and financial management, contribute to the sustainable, healthy and rapid development of the Group and provide financial stability. It will also continue to strengthen cooperation with banks and other financial institutions, seek alternative sources of financing and maintain a balanced indebtedness structure.

DESCRIPTION OF YUNNAN PROVINCE

Yunnan Province has rich natural resources. According to the Statistical Bureau of Yunnan Province, the hydropower resources within Yunnan Province third in terms of potential installed capacity, and second in terms of installed capacity available for development, among all provinces in China in 2015, and the total wind power reserve in Yunnan Province is estimated to be approximately 123 GW, with regions available for development at around 45,200 square kilometres, covering 11.48 per cent. of the total land area in Yunnan Province. Due to its high altitude above sea level, Yunnan Province possesses abundant solar power resources. Annual sunshine hours reach 1,000 to 2,800 with annual total solar radiation in most areas being more than 5,000 mega joules per square meter according to the Statistics Bureau of Yunnan Province. In respect of mineral resources, 142 types of minerals have been found in Yunnan Province, 92 of which have identified amounts of reserves, 54 of which are among the top ten in China in terms of reserve amounts, and 25 of which are among the top three in China in terms of reserve amount is ranked, including lead, zinc, tin and cooper.

Located at the southwest border of China and adjacent to Myanmar, Thailand, Laos and Vietnam, Yunnan Province is well-located to leverage its favourable geographic advantage to promote border trade in the energy sector. According to the Asian Development Bank, Asia development will require an investment of US\$26 trillion from 2016 to 2030, or US\$1.7 trillion per year, to maintain its growth momentum, reduce poverty, and respond to unfavourable climate changes. Leveraging on the regional strategy of “One Belt, One Road” and platforms of Asian Infrastructure Investment Bank, China will be able to export more energy resources to the world together with the infrastructure investments, and Yunnan Province is expected to be greatly involved in such process, as well as in other regional strategies including “Bangladesh-China-India-Myanmar Economic Corridor” and “Energy Channel in Southwest China”. According to the Statistical Bureau of Yunnan Province, the investment in fixed assets (excluding farms) increased from RMB452.7 billion in 2009 to RMB1,566.3 billion in 2016, representing a compound annual growth rate of 19.4 per cent, and to RMB1,847.5 billion in 2017, representing an annual growth rate of 18.0%.

According to the Energy Development Strategy Action Plan (2014 to 2020) (the “**Plan**”) published by the State Council of the PRC (the “**State Council**”), China aims to build and promote a more efficient, self-sufficient, green and innovative energy production and consumption model. To this end, the Plan aims to (a) diversify energy supply by promoting clean and efficient use of coal and developing non-fossil resources including gas, new energy and renewable energy, (b) develop the energy industry by promoting innovation of technology, industry and business models, and (c) build a competitive commodity market for resources and promote market liberalisation. Accordingly, the Yunnan Provincial Government aims to make the energy industry larger and stronger. It targets to build a diversified energy industry with accelerated growth in hydropower, fossil fuel, renewable energy and oil refining.

DESCRIPTION OF THE GROUP’S “PLATFORM” COMPANIES

Five “Provincial-level Platform” Companies

The Group has established five “provincial-level platform” companies, which have received strong support from the Yunnan Provincial Government and act as the provincial government’s platforms to implement its strategies and policies in the relevant industry sectors, namely: Yunnan Provincial Power Investment Co., Ltd (雲南省電力投資有限公司), Yunnan Provincial Power Sales and Distribution Co., Ltd. (雲南省配售電有限公司), Yunnan Provincial Natural Gas Co., Ltd (雲南省天然氣有限公司), Yunnan Provincial Energy Research Institute Co., Ltd (雲南省能源研究院有限公司) and Yunnan Provincial Salt Co., Ltd. (雲南省鹽業有限公司). For details, see “– Our Competitive Strengths – Strong Governmental Support and Five ‘Provincial-level Platform’ Companies”.

DESCRIPTION OF THE GROUP'S BUSINESSES

Energy Business

Power Generation and Sales

The Group has a diversified portfolio of power projects in Yunnan Province, which include hydropower, fossil fuel power, wind power and other renewable power generation businesses. The Group's equity interest in most of its power projects is held through Yunnan Provincial Power Investment Co., Ltd. (雲南省電力投資有限公司) ("YPIC"), a subsidiary of the Guarantor specialising in the construction and operation of power plants. As at 30 June 2018, the Group held 74.06 per cent. of the equity interest in YPIC.

The Group sells power generated from its power projects. The Group sells its electricity primarily through the local power grid operated by Yunnan Power Grid Company (雲南電網公司) ("Yunnan Power Grid"), a wholly-owned subsidiary of China Southern Power Grid Co., Ltd. (中國南方電網有限責任公司). Power sold to power grid companies is calculated according to the total net generation volume sold. The power sales income of each power plant is primarily determined by two factors: the net generation volume sold to the grid company by the plant and the applicable on-grid tariff (being the tariff that grid companies pay to power generation companies).

The Group cooperates with leading national power companies in a number of other large-scaled power projects through joint ventures. Such joint ventures (in which the Group has non-controlling interests) form a pivotal part of the Group's power generation and sales business. The dividends that the Group receives from such joint ventures constitute an important source of the Group's revenue.

Power Generation

The table below sets forth the installed capacity of the power generating units owned and invested by the Group as at the dates indicated and their power generation (in approximate amounts) during the periods indicated:

	As at/for the year ended 31 December			As at / for the six months ended 30 June 2018
	2015	2016	2017	
Consolidated installed capacity (MW)	1,884.9	2,090.4	2,090.4	2,070.4
Fossil fuel power (MW)	1,200.0	1,200.0	1,200.0	1,200.0
Hydropower (MW)	326.9	426.9	426.9	406.9
Wind power (MW)	268.0	370.0	370.0	370.0
Waste-to-energy power (MW)	24.0	24.0	24.0	24.0
Solar Power (MW)	66.0	68.0	68.0	68.0
Gas power (MW)	—	1.5	1.5	109.5
Power generation (GWh)	3,680.0	4,459.8	4,009.2	2,525.8
Power sales income (RMB in million)	2,220.6	1,609.7	1,328.1	944.8
Attributable installed capacity (MW)	11,513.3	10,282.0	10,527.0	10,527.0
Attributable hydropower (MW)	9,741.3	8,510.0	8,755.0	8,755.0
Attributable fossil fuel power (MW)	1,772.0	1,772.0	1,772.0	1,772.0

Hydropower generation projects

The Group controls and operates a range of hydropower generation projects, which are mainly small-and medium-scaled hydropower plants located in the Supa River (蘇帕河) basin. As at 30 June 2018, the Group operated 13 hydropower plants with a consolidated installed capacity of 412.0 MW. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, these hydropower plants generated approximately 1,235,400 MWh, 1,538,895 MWh, 1,511,162 MWh and 564,900 MWh of electricity, respectively. For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, the electricity generated from these hydropower plants represented 36.53 per cent., 39.08 per cent. and 20.50 per cent., respectively, of the electricity generated by the Group's power generation business during the corresponding periods.

The table below sets forth the installed capacity of the hydropower plants operated and controlled by the Group as at 30 June 2018 and the power generation (in approximate amounts) of those hydropower plants during the periods indicated:

	Interest held by YPIC	Total Installed Capacity	Date of Commencement of Operation/ Control	Power Generation			
				For the year ended 31 December			For the six months ended 30 June 2018
				2015	2016	2017	
	(per cent.)	(MW)			(MWh)		
Qiezhishan Hydropower Plant (茄子山水電站)	41.47	16.0	January 1999	41,500	50,148	52,002	22,000
Xiangda Hydropower Plant (象達水電站)	41.47	40.0	October 2006	136,700	188,332	176,627	85,000
Wunihe Hydropower Plant (烏泥河水電站)	41.47	30.0	May 2005	125,500	161,528	151,404	62,000
Ajiutian Hydropower Plant (阿鳩田水電站)	41.47	115.5	October 2004	455,200	570,257	504,975	219,000
Longchuanjiang Primary Hydropower Plant (龍川江水電站)	41.47	24.0	July 2008	78,200	93,600	99,897	24,000
Tenglongqiao Secondary Power Station (騰龍橋二級水電站)	41.47	81.0	September 2010	181,700	175,861	262,597	68,000
Nujiang Fugong Lishadi Hydropower Plant (怒江福貢利沙底水電站)	100.0	14.0	September 2005	50,400	32,659	50,747	26,000
Yuxi Huaning Tiaoshitou Power Station (玉溪華寧跳石頭電站)	38.41	6.4	June 1995	22,700	29,987	32,070	12,000
Panxiang Heshui Hydropower Plant (畔香河水電站)	40.0	2.0	January 2008	8,800	9,852	9,794	3,700
Dazhaizi Hydropower Plant (大寨子水電站)	40.0	20.0	July 2013	35,800	66,486	47,039	12,000
Nanjietian Hydropower Plant (南界田水電站)	40.0	8.0	September 2010	16,200	24,407	17,980	5,000
Damengtong Hydropower Plant (大猛統水電站)	40.0	50.0	August 2011	82,700	135,778	94,548	21,000
Zhengjuean Hydropower Plant (正覺庵水電站)	40	5.1	February 2017 ⁽¹⁾	–	–	11,482	5,200
Total		412.0		1,235,400	1,538,895	1,511,162	564,900

Notes:

- (1) The Group has controlled and operated Zhengjuean Hydropower Station since February 2017. The construction of Zhengjuean Hydropower Station was completed and its operation commenced in March 1995.

Investment in hydropower companies

As at 30 June 2018, the Group held non-controlling interests in 11 hydropower companies that operate hydropower plants with a total attributable installed capacity of 9,063.8 MW. The net profit received from these companies, after deduction of 10% statutory surplus reserve, will be used for dividend payouts. These dividend payouts from these power companies provide a significant source of income for the Group. For the years ended 31 December 2015, 2016 and 2017, the aggregated cash dividends that the Group received from its investments in hydropower companies which were accounted for under the equity method of accounting under PRC GAAP were RMB2,376 million, RMB1,683 million and RMB692 million, respectively.

The hydropower companies invested by the Group are mainly subsidiaries of leading PRC power companies which are responsible for large-scale hydropower projects in Yunnan Province, such as China Huaneng Group, China Huadian Corporation, China Guodian Corporation, China Datang Corporation and China Three Gorges Corporation. Huaneng Lancang River Hydropower Co., Ltd. (華能瀾滄江水電有限公司) is the largest power generation company in Yunnan Province which holds the development rights for hydropower operations in the river basin of Lancang River. Yunnan Huadian Jinsha River Hydropower Co., Ltd. (雲南華電金沙江中游水電開發有限公司), Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd. (三峽金沙江雲川水電開發有限公司) and China Yangtze Power Co., Ltd. (中國長江電力股份有限公司) are major developers of hydropower plants in the river basin of Jinsha River (金沙江).

In March 2016, the Group sold 15 per cent. of the equity interest in Three Gorges Jinsha River Chuanyun Hydropower Development Co., Ltd. to China Yangtze Power Co., Ltd., the controlling shareholder of Three Gorges Jinsha River Chuanyun Hydropower Development Co., Ltd. and a company listed on the Shanghai Stock Exchange (Stock Code: 600900), for combined consideration of 880 million shares in China Yangtze Power Co., Ltd., representing 4 per cent. of the equity interests in China Yangtze Power Co., Ltd., and RMB1.3 billion in cash. After the transaction, the Group no longer held any equity interest in Three Gorges Jinsha River Chuanyun Hydropower Development Co., Ltd..

The table below sets forth the installed capacity of hydropower plants in which the Group invested as at 30 June 2018 and the power generation (in approximate amounts) of such hydropower plants during the periods indicated:

Enterprise	Interest held by the Group (per cent.)	Total Installed Capacity (MW)	Power Generation			
			For the year ended 31 December			For the six months ended 30 June 2018
			2015	2016	2017	
				(MWh)		
1. Huaneng Lancang River Hydropower Co., Ltd (華能瀾滄江水電有限公司)	28.26	19,263.8	60,500,000	63,868,000	73,213,000	34,292,000
2. Guotou Dachaoshan Hydropower Co., Ltd (國投雲南大朝山水電有限公司).	10.0	1,350	5,576,000	6,646,000	7,506,000	2,984,000
3. Yunnan Huadian Jinsha River Hydropower Co Ltd (雲南金沙江中游水電開發有限公司).	10.0	11,600	9,968,000	12,169,000	13,697,000	5,452,000
4. Jin'anqiao Hydropower Station Co., Ltd (金安橋水電發電有限公司).	8.0	2,400	10,378,000	8,727,000	10,273,000	3,347,000
5. Huaneng Yunnan Longkaikou Hydropower Co., Ltd (華能雲南龍開口水電有限公司)	2.0	1,800	4,877,000	3,579,000	3,819,000	1,493,000
6. Huadian Ludila Hydropower Co., Ltd (華電魯地拉水電有限公司).	8.0	2,160	6,074,000	5,735,000	6,930,000	2,607,000
7. Three Gorges Jinsha River Yunchuan Hydropower Development Co., Ltd (三峽金沙江雲川水電開發有限公司) ⁽¹⁾⁽²⁾ . .	15.0	26,200	—	—	—	—
8. Datang Guanyinyan Hydro Power Development Co., Ltd. (大唐觀音岩水電開發有限公司) ⁽¹⁾	14.0	3,000	6,487,000	8,597,000	10,467,000	3,340,000
9. YEIG Nuijiang Prefecture Industrial Development & Investment Co., Ltd. (雲南華電怒江水電開發有限公司) ⁽¹⁾⁽²⁾	30.0	—	—	—	—	—
10. China Yangtze Power Co., Ltd. (中國長江電力股份有限公司)	4.0	45,495	104,979,000	206,060,000	210,893,000	81,318,000
11. Yunnan Dianneng Sinan River Hydropower Development Co., Ltd. (雲南滇能泗南江水電開發有限公司)	39.0	201	775,570	934,000	949,000	519,000
Total		113,469.8	209,614,570	316,315,000	337,747,000	135,352,000

Notes:

(1) As at 30 June 2018, these hydropower plants were not in production.

(2) As at the date of this Offering Circular, these hydropower plants are in construction.

Future hydropower projects

The Group is in the process of constructing several hydropower projects, including a hydropower project located in Baihetan (白鶴灘) in Yunnan Province, Wudongde (烏東德) in Sichuan Province, Ngaw Chan Hka River in Myanmar and Xelanong (色拉龍) in Laos.

For risks relating to the Group's activities in Myanmar, see "Risk Factors – Risks Associated with the Group's Businesses – The Group's activities in Myanmar could result in negative media and investor attention and materially and adversely affect investment in the bonds due to past U.S. sanctions".

Fossil fuel power generation projects

The Group currently operates one fossil fuel power station, Weixin Power Plant Phase I (威信電廠一期), which has an installed capacity of 1,200 MW and has commenced operation. This project is operated by Yunnan Energy Investment Weixin Energy Co., Ltd., in which YPIC holds a 76.3 per cent. equity interest. Generating unit 1 of this project commenced operation in July 2012, and generating unit 2 commenced operation in December 2012. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, gross power generation of Weixin Power Plant Phase I was approximately 2,825,000 MWh, 1,595,132 MWh, 1,322,827 MWh and 1,277,000 MWh, respectively, which accounted for 76.5 per cent., 35.8 per cent., 32.8 per cent. and 46.4 per cent. of the total power generation of the Group's power generation business during the corresponding periods.

Weixin Power Plant currently procures coal supplies from both self-operated mines and third-party suppliers to support its power generation operations. The Group expects that once the Guanyin Mountain Coal Mine (No. 1 and No. 2) becomes fully operational, it will help the Group to reduce its reliance on external supplies for coal used in the operations of Weixin Power Plant.

Investment in fossil fuel power companies

As at 30 June 2018, the Group held shares in six power companies operating fossil fuel power plants with a consolidated installed capacity of 5,800 MW. The table below sets forth the fossil fuel power companies which the Group invested in as at 30 June 2018 and the power generation (in approximate amounts) of the relevant power plants during the periods indicated:

Enterprise	Interest held by the Group (per cent.)	Total Installed Capacity (MW)	Power Generation			
			For the year ended 31 December			For the six months ended 30 June 2018
			2015	2016 MWh	2017	
Guodian Kaiyuan Power Generation Co., Ltd. (國電開達發電有限公司)	45.0	600	1,680,000	1,329,000	1,884,000	1,908,000
Yunnan Huadian Xunjiansi Power Generation Co., Ltd. (雲南華電巡檢司發電有限公司)	35.0	600	1,620,000	153,000	623,000	1,453,000
Yunnan Huadian Zhenxiong Power Generation Co., Ltd. (雲南華電鎮雄發電有限公司)	35.0	1,200	3,150,000	1,835,000	1,483,000	1,629,000
Guodian Xuanwei Power Generation Limited Liability Company (國電宣威發電有限公司)	34.0	1,800	4,060,000	1,568,000	1,285,000	918,000
Guodian Yangzonghai Power Generation Co., Ltd. (國電陽宗海發電有限公司)	17.0	1,000	2,400,000	1,715,000	1,273,000	1,066,000
Yunnan Datang Honghe Power Generation Co., Ltd. (雲南大唐紅河發電有限公司) ...	15.0	600	1,670,000	303,000	759,000	1,909,000
Total		5,800	14,580,000	6,903,000	7,307,000	17,766,000

Renewable energy projects

The Group, through its subsidiaries in the PRC, operates a number of renewable energy projects in Yunnan Province, primarily including wind power, solar power and waste-to-energy generation projects. The Guarantor holds 100 per cent. of the equity interest of YEIG Renewable Energy Investment Development Co., Ltd. (雲南能投新能源投資開發有限公司)(“**YEIG Renewable Energy**”), which primarily engaged in developing and operating renewable energy projects in the PRC. The table below sets forth the installed capacity and power generation (in approximate amounts) of the renewable power generating units operated by the Guarantor as at the dates and during the periods indicated:

	For the year ended 31 December			For the six months ended 30 June 2018
	2015	2016	2017	
Consolidated installed capacity ⁽¹⁾ (MW)	358	460	460	460.0
Gross power generation (MWh)	633,748.0	1,150,573.0	1,109,775.0	683,860.0
On-grid power generation (MWh)	585,149.0	1,079,214.0	1,053,400.0	652,353.0
Power sales income (RMB in million)	323.7	484.0	512.4	297.0

Note:

- (1) Represents the installed capacity of the power projects that have commenced commercial operations as at the relevant record dates only.

Wind power projects

Yongsan Wind Farm (永三風電場) is a wind farm with an installed capacity of 48 MW. YEIG Renewable Energy has a controlling interest of 70 per cent. in this project. The project commenced commercial operation in October 2013. Gross power generation of this project was approximately 131,674 MWh, 125,246 MWh, 114,620 MWh and 67,300 MWh for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Huize Dahailiangzi Wind Farm (會澤大海梁子風電場) is a wind farm with an installed capacity of 48 MW. This project, which is wholly owned by YEIG Renewable Energy, commenced commercial operation in August 2014. Gross power generation of this project was approximately 159,116 MWh, 175,684 MWh, 167,874 MWh and 92,900 MWh for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Kongzhaopu Wind Farm (孔照普風電場) is a wind farm with an installed capacity of 48 MW. YEIG Renewable Energy has a controlling interest of 70 per cent. in this project. The project commenced commercial operation in December 2014. Gross power generation of this project was approximately 125,322 MWh, 137,169 MWh, 121,376 MWh and 77,800 MWh for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Malong Duimenliangzi Wind Farm (馬龍對門梁子風電場) is a wind farm with an installed capacity of 90 MW. This project, which is wholly owned by YEIG Renewable Energy, commenced commercial operation in April 2015. Gross power generation of this project was approximately 90,616 MWh, 232,276 MWh, 204,442 MWh and 131,000 MWh for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Toudaoping Wind Farm (頭道平風電場) is a wind farm with a designed installed capacity of 48 MW. This project, which is wholly owned by YEIG Renewable Energy, commenced trial operation in December 2015. Gross power generation of this project was approximately 1,230 MWh, 121,329 MWh and 64,000 MWh for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively.

Dazhongshan Wind Farm (大中山風電場) is a wind farm with an installed capacity of 40 MW. This project, which is wholly owned by YEIG Renewable Energy, commenced commercial operation in March 2016. Gross power generation of this project was approximately 90,060 MWh 103,808 MWh and 84,840 MWh for the years ended 2016 and 2017 and the six months ended 30 June 2018, respectively.

Laojianshan Wind Farm (老尖山風電場) is a wind farm with an installed capacity of 48 MW. This project, which is wholly owned by YEIG Renewable Energy, commenced commercial operation in March 2016. Gross power generation of this project was approximately 74,585 MWh, 89,811 MWh and 72,450 MWh for the years ended 2016 and 2017 and the six months ended 30 June 2018, respectively.

Solar power projects

Pilot and Demonstration Project of Shilin 66 MW Grid-connected Photovoltaic Power Station (石林66 MW併網光伏電站試驗示範項目) is a solar power generation project. YEIG Renewable Energy beneficially holds 100.0 per cent. of interest in this project. Phase I of this project has an installed capacity of 10 MW and was completed in May 2010. Gross power generation of this project was approximately 31,031 MWh, 13,456 MWh, 13,729 MWh and 7,600 MWh for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively. Phase II of this project has an installed capacity of 56 MW and was completed in January 2016. Gross power generation of this project was approximately 73,400 MWh, 73,301 MWh and 41,100 MWh for the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, respectively.

Waste-to-energy power generation projects

Qujing Waste-to-Energy Power Generation Project (曲靖垃圾發電項目) is a waste-to-energy power generation project with an installed capacity of 24 MW. YEIG Renewable Energy has a controlling interest of 85 per cent. in this project. Unit 1 of this project commenced trial operation in August 2010, and Unit 2 commenced trial operation in December 2010. This project commenced commercial operation in January 2012. Gross power generation of Qujing Waste-to-Energy Power Generation Project was approximately 95,990 MWh, 104,663 MWh, 99,485 MWh and 44,870 MWh for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, respectively.

Future renewable energy projects

The Guarantor plans to further expand its renewable energy generation business.

Achao Wind Farm (阿朝風電場) is expected to be a wind farm with a designed installed capacity of 48 MW. YEIG Renewable Energy has a controlling interest of 70 per cent. in this project.

Huize Banbianjing Wind Farm (會澤半邊箐風電場) is expected to be a wind farm with a designed installed capacity of 48 MW and is wholly owned by YEIG Renewable Energy.

Pingqing Wind Farm (平青風電場) is expected to be a wind farm with a designated installed capacity of 48 MW and is wholly owned by YEIG Renewable Energy.

In addition, the Group expects to develop a number of solar power projects in accordance with the demand of the electricity market.

Power Sales

In addition to power generation, the Group also sells electricity generated from its various power projects. The Group currently sells its electricity primarily through the local power grid operated by Yunnan Power Grid.

The Yunnan Branch of China Southern Power Grid Co., Ltd., a shareholder of Yunnan Power Grid, is the major customer of the Group, contributing over 90 per cent. of the Group's power sales for the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018.

The table below sets forth the top customers of the Group's power sales business, as well as the respective on-grid tariffs and contribution to the total power sales during the periods indicated:

Customer	On-grid tariff as at 30 June 2018 (RMB/kWh, exclusive of tax)	As percentage of the Group's total power sales			
		For the year ended 31 December			For the six months ended 30 June 2018
		2015	2016	2017	
1. China Southern Power Grid Co., Ltd., Yunnan Branch	0.429 for Weixin Power Plant (威信電廠) 0.157 for Xiangda Hydropower Plant (象達水電站), 0.151 for Wuni River Hydropower Plant (烏泥河水電站) and 0.221 for Ajiutian Hydropower Plant (阿鳩田水電站) and 0.132 for Tenglongqiao Secondary Power Station (騰龍橋二級電站)	97.3	97.4	97.6	97.7
2. Baoshan Power Company Limited (保山電力股份有限公司)	0.2 for Qiezishan Hydropower Plant (茄子山水電站) and 0.193 for Longchuanjiang Primary Hydropower Plant (龍川江一級水電站)	2.7	2.6	2.4	2.3
Total		100.0	100.0	100.0	100.0

Natural Gas Operations

Natural gas business is one of the key areas the Group intends to focus on in the future. It is a relatively new business line for the Group but the Group believes it has great potential in terms of profitability. In January 2013, the Group established YEIG Natural Gas Production and Development Co., Ltd. (雲南能投天然氣產業發展有限公司) ("YEIG Natural Gas") to invest in and develop the Group's natural gas operations. In March 2016, the Group sold 100 per cent. of the equity interest in YEIG Natural Gas to Yunnan Salt & Chemical Industry Co., Ltd (雲南鹽化股份有限公司), now known as Yunnan Energy Investment Co., Ltd (雲南能源投資股份有限公司) ("Yunnan Salt") and a company listed on the Shenzhen Stock Exchange under the stock code "002053". Following the transaction, the Group's natural gas business is all conducted in Yunnan Energy Investment Co., Ltd. (through YEIG Natural Gas). YEIG Natural Gas changed its name to "Yunnan Provincial Natural Gas Co., Ltd." (雲南省天然氣有限公司) on 27 October 2016. For further details, see "– Integrated Businesses – Salt Business" below.

Natural gas business receives strong support from the Yunnan Provincial Government. According to the Notice on Supporting the Provincial Energy Investment Group to Conduct Natural Gas Business (《關於支持省能源投資集團有限公司開展天然氣業務的通知》) issued by Yunnan Provincial Development and Reform Commission in April 2013, Yunnan Provincial Development and Reform Commission urges its local governments to give support to companies that conduct natural gas businesses, including construction and operation of natural gas pipeline, franchise operation and construction of city gas pipeline and various types of gas infrastructure construction and operation. In addition, the first stop in China of the 793-kilometre long Sino-Myanmar Pipeline, which transports natural gas, is in Ruili (瑞麗), a city in west Yunnan Province. It is expected that this pipeline could be one of the Group's major natural gas sources.

Yunnan Provincial Natural Gas Co., Ltd. is focused on developing the Group's natural gas operations in a number of areas including: (1) the Group's branch pipeline network; (2) natural gas pipelines to cities; (3) natural gas filling stations for automobiles and (4) distributed energy resources systems.

As at 31 October 2018, the Group had nine natural gas branch pipeline projects in construction, four of which are in operation, including Zhaotong Subline Phase I (Qujin-Xuanwei Distribution Station), Yuxi-Pu'er Phase I (Yuxi-Eshan-Huanian Section) and Fumin-Changshui Subline (Fumin Section). In addition, the Group has received approval from the relevant authorities in Yunnan Province and has begun construction of the Yuxi Emergency Gas Reserve Centre (玉溪市應急氣源儲備中心). With regards to natural gas branch pipelines into cities, the Group has been granted franchise right to provide natural gas in the areas of Zhaotong (昭通), Xuanwei

(宣威), Pu'er (普洱), Fumin (富民), Xishuangbanna (西雙版納) and Yuxi (玉溪). The Group has also received approval to begin preliminary work on providing distributed energy resources systems to Wuhua Technology Park (五華區科技園) and Kunming Changshui Airport (昆明長水機場).

In the meantime, the Group strengthened its market position by a series of acquisitions of well-established gas companies in such areas. The Group has constructed compressed natural gas and liquefied natural gas filling stations in Xuanwei (宣威), Fumin (富民) and Zhaotong (昭通). By doing so, the Group will achieve integrated business structure in natural gas industry covering upstream, midstream and downstream sectors.

Coal Mining and Production

As at 30 June 2018, the Group owned eight mines with coal mining permits through three subsidiaries in Yunnan Province. The coal produced from the Group's mining operations is used for its fossil fuel power generation operations and for on-selling to its customers. Apart from its own coal production, the Group sources its coal from the Zhaotong (昭通), Qujing (曲靖) and Yuxi (玉溪) regions in Yunnan Province. The Group also invests in three other coal companies: Dongyuan Luoping Coal Co., Ltd. (東源羅平煤業有限公司), Dongyuan Zhenxiong Coal Co., Ltd. (東源鎮雄煤業有限公司) and Dongyuan Coal and Electricity Co., Ltd. (東源煤電股份有限公司).

In response to the national decommissioning policies, the Group has suspended production in the coal mines in which it holds an interest, with the exception of Weixin Company Guanyin Mountain Coal Mine (威信公司觀音山煤礦).

The table below sets forth details about the Group's coal mining operations as at 30 June 2018:

Enterprise / Project name	Interest held by the Group (Per cent.)	Production status
Yunnan Diandong Yundian Coal Development Co., Ltd. – Bao Mountain and eight other coal resources (雲南滇東雲電投煤業有限公司寶山等八塊煤炭資源)	100.0	Not in production; no definite production plan
Fangzhou Company Qianyuan Mine (方舟公司乾源煤礦)	80.0	Not in production; production capacity withdrawal
Zhenxiong Mining Company Niuchang-Yigu Mining Area (鎮雄礦業公司牛場-以古礦區)	80.0	Not in production; no definite production plan
Dongfang Coal Development Co., Ltd – Huagai Mountain Mine (東方煤業公司華蓋山煤礦)	67.0	Production suspended in Fahong Mining Area; no definite production plan
Yunnan Electricity Investment Coal Development Co., Ltd. Banpo and Fahong Mining Areas (雲南電投煤業開發有限公司半坡、法宏礦區)	51.0	(Banpo Mining Area has been shut down) Mine No.1 is under construction and Mine No.2 is in production; expected to commence full production in 2023
Weixin Company Guanyin Mountain Coal Mines No. 1 and No. 2 (威信公司觀音山煤礦一井及二井)	50.0	Not in production; no definite production plan
Weixin Company Dajingou Coal Field, Yujing Mountain Coal Field, Mahe Mining Area and Shikan Mining Area (威信公司大井溝井田、玉京山井田、馬河礦區、石坎礦區)	50.0	

The Group has obtained all the necessary mining and exploration permits for the eight coal mines it owns. The table below sets forth the details of the licences the Group had obtained that are material to its mining and exploration operations as at 30 June 2018.

Rights holder	Type of Rights	No. of licence	Valid period
Yunnan Energy Investment Weixin Energy Co., Ltd. (雲南能投威信能源有限公司)	mining rights	C1000002015071110139245	2015.07.30-2045.07.30
Yuxi City Dongfang Coal Co., Ltd. (玉溪市東方煤業有限公司)	mining rights	C5300002011011120114464	2015.06.04-2025.06.04
Yunnan Yuntou Zhengxiong mining energy development Co., Ltd. (雲南雲投鎮雄礦業能源開發有限公司)	exploration right	T01120081201023482	2016.12.25-2018.12.25

As at 30 June 2018, Guanyin Mountain Coal Mine – No. 2 was in operation. Guanyin Mountain Coal Mine – No.2 commenced its trial operation in July 2015. For the years ended 31 December 2016 and 2017 and the six months ended 30 June 2018, Guanyin Mountain Coal Mine – No.2 produced approximately 289,800 tonnes, 606,600 tonnes and 373,900 tonnes of coal, respectively.

As at the date of this Offering Circular, the Group has not experienced any mining accident and no administrative penalties were imposed in this respect.

Resources Trading

The Group has strong resources trading business operated through YEIG Logistics Co., Ltd. (雲南能投物流有限公司) (“**YEIG Logistics**”). YEIG Logistics has obtained the 5A certification from the China Association of Logistics and Procurement Association and has become the leading modern logistic enterprise in Yunnan Province. It has branches and subsidiaries in 20 countries and areas, including Hong Kong, Vietnam, Laos and Singapore.

The Group’s resources trading business primarily focuses on trading in steel, coal and other materials such as oil and cement. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group had revenue in the amount of RMB36,210.8 million, RMB48,220.2 million, RMB65,910.7 million and RMB33,400 million from its resources trading operations, respectively.

Steel trading

The Group conducts its steel trading business mainly through YEIG Logistics. The Group purchases steel from large-scale steel factories within Yunnan Province and neighbouring provinces to consolidate and centralise the steel supply before on-selling it to third party customers. The Group also purchases a small amount of steel from independent dealers and agents on the market. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group sold approximately 9.6 million tonnes, 13.5 million tonnes, 9.4 million tonnes and 4.4 million of steel, respectively, generating revenue in the amount of RMB24,136 million, RMB40,624 million, RMB37,442 million and RMB18,546 million, respectively, which accounted for 66.7 per cent., 70.8 per cent. and 56.8 per cent., respectively of the overall revenue from resources trading. The Group targets customers outside Yunnan Province, with over 90 per cent. of the overall steel sales made outside Yunnan Province and the rest sold within Yunnan Province and Southeast Asia nations.

Since 2012, YEIG has been actively expanding its end market and the business of steel trading has been growing continuously. The clients of steel trading business include a range of large state-owned companies with operations in infrastructure construction, such as Sinohydro Bureau 14 Co., Ltd (中國水電十四局有限公司), Sichuan Tietou Guangrun Logistics Co., Ltd. (四川廣潤物流有限公司), Shanxi Jinmei Group International Trade Co., Ltd. (山西晉煤集團國際貿易有限責任公司), Sichuan Nengtou Property Asset Group Co., Ltd. (四川能投物資產業集團有限公司) and Xinxing Heavy Industry (Tianjin) International Trade Co., Ltd. (新興重工(天津)國際貿易有限公司). Yunnan Huaneng Lancang River Hydropower Co., Ltd. (華能瀾滄江水電有限公司), China Railway Bureau 12 Group Co., Ltd (中鐵十二局集團), No.14 Metallurgical Construction Group Co., Ltd (十四冶建設集團有限公司), China Railway Bureau 16 Group Co., Ltd (中鐵十六局集團) and PowerChina Road Bridge Group Co., Ltd. (中電建路橋集團). The Group intends to secure new key customers in the future to further diversify its customer base.

The Group employs three settlement methods: (1) payment-before-delivery; (2) payment-after-delivery; and (3) cash-on-delivery. For larger construction projects with relatively larger demand, the Group normally provides the steel in multiple batches depending on the amount required at each stage of the project. For these clients, the Group settles the transaction on a payment-after-delivery basis. For small and medium-sized customers, the Group usually provides all the required steel in one batch. Transactions with these customers are usually settled on a payment-before-delivery or cash-on-delivery basis.

Coal trading

In addition to its coal mining and production operations, the Group is engaged in the coal trading business. As most of the mines owned by the Group have not begun production, the Group acquires coal required for its coal trading business primarily from third-party suppliers.

The Group’s coal trading business is primarily developed and operated through YEIG Logistics and Yuxi City Dongfang Coal Co., Ltd. (玉溪市東方煤業有限公司) (“**Yuxi Dongfang**”). For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, YEIG Logistics sold approximately 7.4 million tonnes, 8.3 million tonnes, 8.6 million tonnes and 7.5 million tonnes of coal, respectively, generating RMB4,397 million, RMB7,343 million, RMB12,848 million and RMB10,913 million of revenue, respectively. For the years ended

31 December 2015, 2016 and 2017, Yuxi Dongfang sold approximately 112,000 tonnes, 72,300 tonnes and 114,600, respectively, generating RMB21 million, RMB12 million and RMB63.5 million of revenue, respectively.

The tables below set forth the Group's top five coal trading suppliers and customers as at 30 June 2018.

<u>Name of Supplier</u>	<u>Purchase Amount (RMB in million)</u>
Shanxi Luan Mining (Group) Co., Ltd. (山西潞安礦業 (集團) 有限公司)	2,057
Shanxi Luan Mining (Group) Rizhao International Trade Co., Ltd. (山西潞安礦業 (集團) 日照國貿有限公司)	1,470
Shanxi Luan Coal Distribution Co., Ltd. (山西潞安煤炭經銷有限公司)	822
Yima Coal Group Co., Ltd. Hengyuan Coal Branch (義馬煤業集團股份有限公司恒源煤炭分公司)	641
Jiangsu Yongtong New Material and Technology Co., Ltd. (江蘇永通新材料科技有限公司)	629
Total	5,620

<u>Name of Customer</u>	<u>Sales Amount (RMB in million)</u>
Haian Guolong Logistics Co., Ltd. (海安國龍物流有限公司)	2,053
Shanxi Jinmei Group International Trade Co., Ltd. (山西晉煤集團國際貿易有限責任公司)	1,126
Henan Energy and Chemical Group Guolong Logistics Co., Ltd. (河南能源化工集團國龍物流有限公司)	1,125
Huaibei Coal Group Daxie Energy and Chemical Co., Ltd. (淮北礦業集團大榭能源化工有限公司)	886
Zibo Coal Group Material Supply Co., Ltd. (淄博礦業集團物資供應有限公司)	885
Total	6,064

Coal trading of the Group is normally made on an advance payment basis.

Financial Services

In July 2013, the Group established Yunnan Financial Services to invest in and develop the Group's financial services operations. Yunnan Financial Services is positioned to be an innovative integrated financial service provider servicing the energy industry and promoting the integration of industry and financing. In particular, Yunneng Financing Lease (Shanghai) Co., Ltd. (雲能融資租賃(上海) 有限公司), YEIG Business Factoring (Shanghai) Co., Ltd. (雲能商業保理(上海) 有限公司) and Yunnan Financing Asset Management (Shanghai) Co., Ltd. (雲融能投資資產管理(上海) 有限公司) have been established in Shanghai and Shenzhen YEIG Fund Management Co., Ltd. (深圳雲能基金管理有限公司) has been established in Shenzhen to operate the Group's financial services business.

Growth in China's financial sector has given rise to many opportunities, including but not limited to: (i) large and unfulfilled financing needs of SMEs and individuals; (ii) demand for wealth-management products arising from China's aging population and the increase in per capita disposal income; (iii) demand for community financial services; and (iv) opportunities to launch new businesses driven by big data through both online and offline platforms.

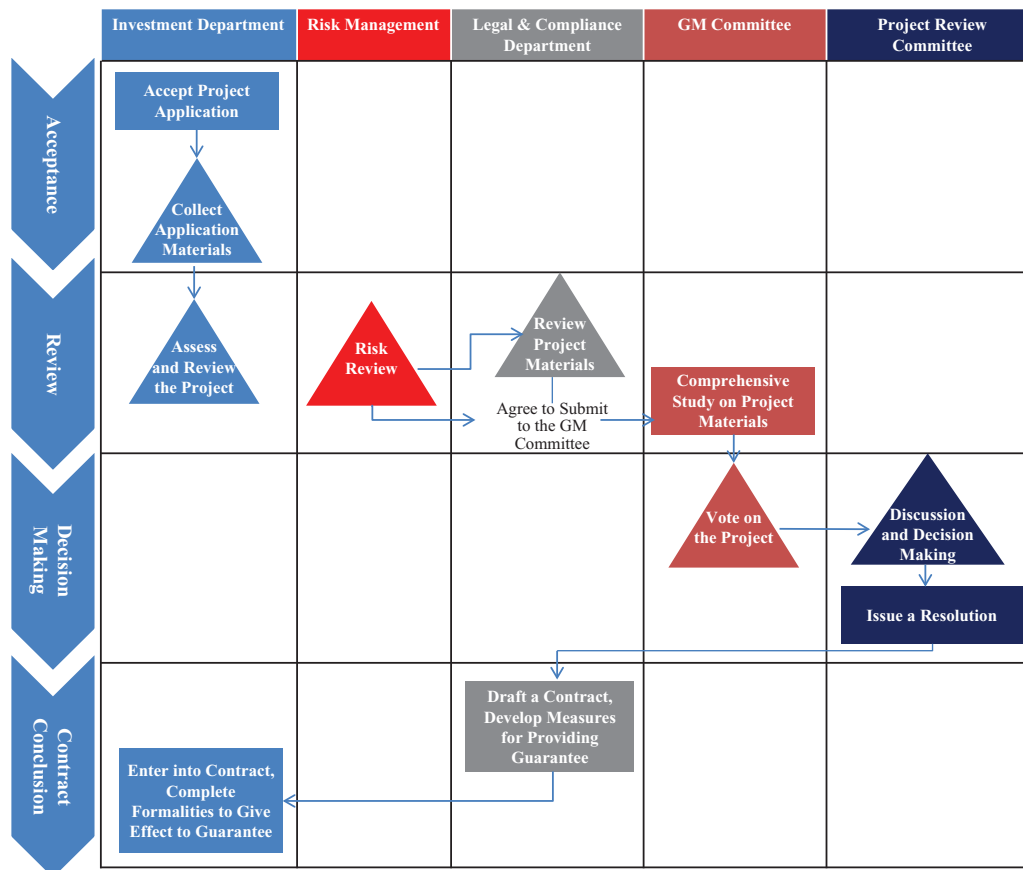
The Group's diversified financial services platforms consist of:

- equity and debt investment and management;
- trust asset management;
- economic information consulting;
- cornerstone investment in initial public offerings and private placements;
- financial leasing with focus on energy-related sectors;

- factoring service to provide small and medium enterprises with funding to meet their liquidity needs; and
- fund investment.

The Group's diverse product and service offerings enable it to quickly capture both traditional and innovative financial services opportunities. For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group had revenue in the amount of RMB29.5 million, RMB123.2 million, RMB123.9 million and RMB121.7 million from its financial services operations, respectively.

The Group has a prudent and sound investment management system as set below:

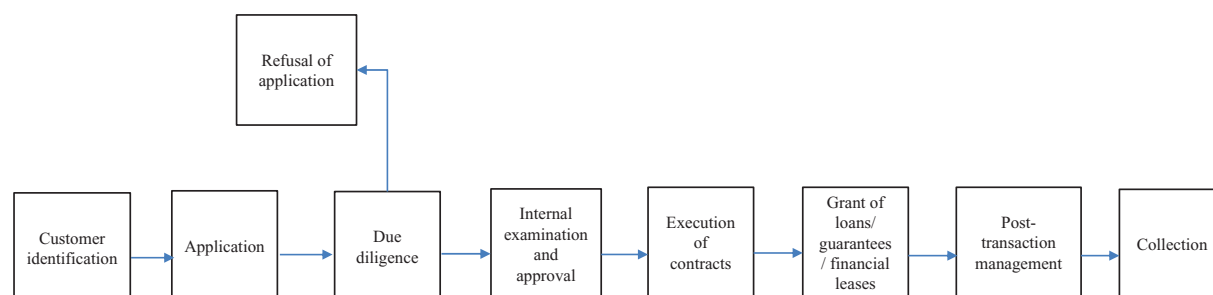


The Group conducts investment plan reviews on an annual basis focused on whether:

- the invested industry is consistent with the Group's strategic growth objectives and development direction;
- the investment scale matches the Group's access to funding and financial scale;
- the asset being invested is consistent with the Group's primary business; and
- the investment structure and assets layout will be conducive to improving the Group's asset structure.

The Group's financial services business faces a variety of risks, including credit risk, operational risk, liquidity risk and legal and compliance risk. Credit risk is the principal risk in this business. The Group has developed a risk management system that has been tailored to comprehensively, effectively and rigorously manage the risks.

Credit risk arises if a customer is unable or unwilling to make timely payments. The Group's credit risk management procedures mainly consist of customer due diligence reviews, multi-level assessment and approval processes, and post-transaction management. The chart below summarises the key steps that the Group uses to assess and manage credit risk:



Fund investment

As at 30 June 2018, the Group has formed nine funds, three of which are not yet operational, with an expected total commitment amount of RMB17.4 billion to provide funding for its subsidiaries and investment companies, including: Kunming Agricultural Bank Energy Investment Center (昆明農銀能源投資中心), Yunnan State-owned Industrial Investment Center (雲南國資壹號產業投資中心), YEIG Industry Investment Center (雲南能投產業投資中心), YEIG Five Networks Construction Investment Center (雲南能投五網建設投資中心), YEIG Modern Logistics Industrial Investment Center (雲南能投現代物流壹號產業投資中心), YEIG Poverty Alleviation and Reduction Development Investment Center (雲南能投扶貧脫貧壹號開發投資中心), Yunnan Energy Industry Investment Center (雲南能源產業投資中心) (not operational), YEIG Industrial Park Investment Center (雲南能投園區產業投資中心) (not operational) and YEIG Venture Investment Center (雲南能投創新創投投資中心) (not operational).

The table below sets forth the information relating to six funds which have completed certain phases of their fund-raising process as at 30 June 2018:

Fund	As at 30 June 2018		
	Total Commitment ⁽¹⁾	Total Paid in Capital ⁽²⁾	Major Partners
	(RMB in million)	(RMB in million)	
Kunming Agricultural Bank Energy Investment Center (昆明農銀能源投資中心)	1,005	1,005	Agricultural Bank Energy Investment (Beijing) Investment Funds Management Co., Ltd. (農銀能投(北京)投資基金管理有限公司), ABC-CA (Shanghai) Management Co., Ltd. (農銀匯理(上海)資產管理有限公司)
Yunnan State-owned Industrial Fund I (雲南國資壹號產業投資中心)	5,010	1,010	Shenzhen Yunneng Fund Management Co., Ltd. (深圳雲能基金管理有限公司), Shenzhen Qianhai Zhongyun Fuyin Equity Investment Funds Management Co., Ltd. (深圳前海中潤富銀股權投資基金管理有限公司), Shanghai AXA SPDB Assets Management Co., Ltd. (上海浦銀安盛資產管理有限公司) and Yunnan Energy Finance Holding Co., Ltd. (雲南能源金融控股有限公司)
Yunnan Energy Industry Investment Center (雲南能投產業投資中心)	1,000	1,000	Shenzhen Yunneng Fund Management Co., Ltd. (深圳雲能基金管理有限公司), and Shenzhen Pingan Dahua Huitong Wealth Management Co., Ltd. (深圳平安大華匯通財富管理有限公司)
YEIG Five Networks Construction Investment Center (雲南能投五網建設投資中心)	400	400	Shenzhen Yunneng Fund Management Co., Ltd. (深圳雲能基金管理有限公司), YEIG Infrastructure Investment Development Construction Co., Ltd. (雲南能投基礎設施投資開發建設有限公司)
YEIG Modern Logistics Industrial Investment Center (雲南能投現代物流壹號產業投資中心) ...	5010	5010	Shenzhen Yunneng Fund Management Co., Ltd. (深圳雲能基金管理有限公司), YEIG Logistics, Industrial International Trust Co., Ltd. (興業國際信託有限公司)
YEIG Poverty Alleviation and Reduction Development Investment Center (雲南能投扶貧脫貧壹號開發投資中心)	5010	5010	Shenzhen Yunneng Fund Management Co., Ltd. (深圳雲能基金管理有限公司), Industrial International Trust Co., Ltd. (興業國際信託有限公司), YEIG Juzheng Industry Investment Co., Ltd. (雲南能投居正產業投資有限公司)

Notes:

- (1) Total commitment represents the aggregate capital commitment by limited partners of limited partnership or investors for the funds structured as limited liability companies, as applicable, as of the final closing date.
- (2) Total paid-in capital includes management fees, before deduction for costs of fund liquidation.

Integrated Businesses

Infrastructure Construction

The Group also operates the investment, development, operation and management of emerging industries, industry expansion, industrial estate as well as premium economic resources of industrial parks.

As at 30 June 2018, the Group has two industrial parks in Kunming, Yunnan, three industrial parks in Honghe, Yunnan and the Yunnan Nengtou Entrepreneurship and Innovation Center (雲南能投雙創中心) in Kunming, Yunnan under construction:

- **YEIG Chenggong Power Configuration Industrial Park (雲南能投呈貢電力配置), Kunming, Yunnan:** it is located within the Kunming Economic Development District (昆明經濟技術開發區) and is planned to be developed into an industrial hub focusing on power configuration equipment manufacturing and its related businesses.

- **YEIG Kunming Airport Economic District Liqi Integrated Development District** (雲南能投昆明空港經濟區李其片區綜合開發區), **Kunming, Yunnan:** it is located within the Kunming Airport Economic District (昆明空港經濟區) and is planned to be developed into a high-end business district leveraging its close proximity to the Kunming airport and focusing on airport related businesses.
- **YEIG China Hekou–Vietnam Laojie Cross-border Economic Cooperation Zone Industrial Park** (雲南能投中越河口-老街跨境合作區工業園), **Honghe, Yunnan:** it is located within the China Hekou–Vietnam Laojie Cross-border Economic Cooperation Zone (中越河口-老街跨境合作區) and is planned to be developed into a modern industrial park focusing on such businesses as cross-border trade, import and export processing, modern logistics and international finance.
- **YEIG Comprehensive Bonded Zone Industrial Park** (雲南能投綜保區產業園), **Honghe, Yunnan:** it is located within the Honghe Comprehensive Bonded Zone (紅河綜合保稅區) and is planned to be developed into a storage, distribution, logistics, processing and re-export trade center leveraging its favorable tariff policies.
- **YEIG Mengzi Economic Development District Industrial Park** (雲南能投蒙自經開區產業園), **Honghe, Yunnan:** it is located within the Mengzi Economic Development District (蒙自經濟開發區) and is planned to be developed into a modern industrial park housing enterprises engaging in energy and energy-related businesses.
- **Yunnan Nengtou Entrepreneurship and Innovation Center** (雲南能投雙創中心), **Kunming, Yunnan:** it is located in the Yunnan Dianzhong New District Airport Economic Zone (雲南滇中新區空港經濟區), southwest of Kunming Changshui International Airport and north of 320 National Highway, and is planned to serve as a base for the construction and operation of various facilities including the Energy Innovation Tower (能源創新大廈), Dianzhong Venture Building (滇中創業大廈), Chuangke Apartment (創客公寓), Chuangxing Apartment (創星公寓), as well as the provision of the related financial services.

Energy Technology Business

The Group has an energy research institute that is responsible for research and development of energy technologies, industrial promotion and construction of demonstration bases, industry development planning and consulting, training of specialised top talents, establishment of industry think tank, and internationalisation of the industry. It leverages on the technologies, talents, projects, funding and many other resources of the government, enterprises, universities and research institutes. In addition, the Group invests in five companies operating energy technology business:

- **Yunnan Energy Investment Weith Technology Co., Ltd.** (雲南能投威士科技股份有限公司): The Group holds 40 per cent. equity interest of Yunnan Energy Investment Weith Technology Co., Ltd. Focusing on research and development and production of intelligent control for power, energy, mining sectors and of the information technology industry, it has built presence not only across China, but also in Southeast Asia, Africa and South America.
- **YEIG Huilong Technologies Co., Ltd.** (雲南能投匯龍科技股份有限公司): The Group holds 40 per cent. equity interest of YEIG Huilong Technologies Co., Ltd. It focuses on manufacturing and sale of lithium-ion battery materials and electrolyte, as well as technical development, transfer and sale of battery management systems.
- **YEIG Youneng Technology Co., Ltd.** (雲南能投有能科技股份有限公司): The Group holds 50 per cent. equity interest of YEIG Youneng Technology Co., Ltd. It focuses on energy management services as well as development and application of renewable energy technologies and energy-saving and environment-friendly technologies.
- **YEIG Information Industry Development Co., Ltd.** (雲南能投信息產業開發有限公司): The Group holds 100 per cent. equity interest of YEIG Information Industry Development Co., Ltd. It focuses on computer hardware and software development and application, computer and information technology construction, operation, maintenance and consulting service, e-government system integration service, as well as development of “cloud computing”, “Internet Plus” and “big data” applications. YEIG Information Industry Development Co., Ltd. is one of the first companies which applied “Big data” analysis in the energy

industry in the PRC and developed the “Energy Cloud” Operation Monitoring Platform (“**Energy Cloud**”), as part of the Group’s efforts in implementing the PRC Government’s “Internet Plus” initiative and Yunnan Province’s “Cloud on Cloud” policy. For details about the Energy Cloud, please see “*Description of the Group’s Businesses – Integrated Businesses – Energy Technology Business – “Energy Cloud” operation monitoring platform*”.

- **Yunnan Provincial Energy Research Institute Co., Ltd.** (雲南省能源研究院有限公司): The Group holds 100 per cent. equity interest of Yunnan Provincial Energy Research Institute Co., Ltd.. It focuses on the research and development of energy technologies, industrial promotion and construction of demonstration bases, industry development planning and consulting, training of specialised top talents, establishment of industry think tank, and internationalisation of the energy industry for Yunnan Province.

“Energy Cloud” Operation Monitoring Platform

Established in October 2015, the Group’s “Energy Cloud” pursues an “Internet Plus” action plan that seeks to promote innovative development by integrating “cloud computing” and “big data” with the Group’s energy business. Through dynamic analysis of economic, industrial and international energy data in Yunnan and Southeast Asian nations and trend forecasting models, Energy Cloud has helped to improve the Group’s decision-making and management abilities.

Salt Business

The Group engages in the production and sale of salt and salt-related products through Yunnan Salt, a company listed on the Shenzhen Stock Exchange under the stock code “002053”. Yunnan Salt’s main businesses include development, production and sale of salt and salt-related products, making it one of the very few listed companies with a full salt value chain in the PRC.

The Group acquired 33.43 per cent. of the issued shares of Yunnan Salt in October 2015 and became Yunnan Salt’s single largest shareholder. As the Group has an effective control over the general meetings and board meetings of Yunnan Salt, the Group considers that it has obtained effective control over Yunnan Salt since the acquisition. Pursuant to the “Accounting Standard for Business Enterprises No. 33 – Consolidated Financial Statements”, the financial statements of Yunnan Salt was consolidated into the consolidated financial statements of the Group as a subsidiary as if the acquisition was completed since 1 January 2015.

In March 2016, the Group conducted a major asset swap restructuring with Yunnan Salt. In particular, in the swap, the Group received all of Yunnan Salt’s chlor-alkali chemical-related businesses, with an asset value of approximately RMB1.1 billion, and in exchange, Yunnan Salt received from the Group 100 per cent. of the equity interests in YEIG Natural Gas, with an asset value of RMB955.4 million, and RMB149.6 million in cash.

As a result of the above asset swap restructuring, Yunnan Salt’s main business lines became two: salt and salt-related business and natural gas operations. In July 2016, Yunnan Salt was renamed as Yunnan Energy Investment Co., Ltd. (雲南能源投資股份有限公司).

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group had revenue in the amount of RMB474.8 million, RMB1,697.7 million, RMB1,055.0 million and RMB425.4 million, respectively, from its salt business, representing 0.9 per cent., 2.8 per cent., 1.4 per cent. and 1.1 per cent. of the Group’s total revenue, respectively.

Chemical Production Business

The Group’s chemical production business includes the production and sale of chlor-alkali chemical and its related products, chemical products, raw materials and calcium carbide. This part of the Group’s business is operated through the few companies that the Group received from Yunnan Salt as part of the major asset swap restructuring conducted in March 2016. All these companies have since been consolidated under Yunnan Provincial Energy Investment Group Chemical Co., Ltd. (雲南能投化工有限責任公司), a newly established wholly- owned subsidiary of our Group. For details of the restructuring, please see “– Salt Business”.

For the years ended 31 December 2015, 2016 and 2017 and the six months ended 30 June 2018, the Group had revenue in the amount of RMB0.2 million, RMB0.72 million, RMB2,044.4 million and RMB1,394.2 million, respectively, from its chemical production business.

Cement Business

Laos Lanexang Cement Co., Ltd (老撾吉象水泥有限公司), an indirect subsidiary of the Guarantor based in Khammouane Province in Laos, operates the Group's cement business. It focuses on the production and sale of cement and related building materials and began production in early 2016 with a production capacity of approximately 2,500 tonnes per day.

International Business

The Group's international business includes all businesses, whether in China or overseas, operated by the Group's overseas subsidiaries, primarily including the Guarantor, and any other overseas businesses conducted by the Group. The Group's main international business includes new energy, hydropower, gas fired power, power grid and cement production. The Group plans to continue investing in and expanding its international business in the future.

Renewable Energy Projects

The Guarantor, through its subsidiaries in the PRC, operates a number of renewable energy projects in Yunnan Province, primarily including wind power, solar power and waste-to-energy generation projects. For details, please see “– Energy Business – Power Generation and Sale – Renewable energy projects”.

UREC

On 31 October 2016, the Group completed the acquisition of 32 per cent. of the equity interests in Union Resources & Engineering Co., Ltd. (雲南聯合外經股份有限公司) from YMC Holdings Co., Ltd. (雲南協力投資發展有限公司) and Yunnan YMEC Industry Co., Ltd. (雲南雲邁實業有限公司) for a consideration of RMB249.4 million and a capital increase of RMB184.2 million and renamed it to be YEIG Union Resources & Engineering Co. Ltd (雲南聯合外經股份有限公司) (“UREC”). Following the acquisition and capital increase, the Group holds 45 per cent. of the equity interests in UREC. UREC has a registered capital of RMB123.6 million and is an integrated resources provider focusing on the engineering and construction of power projects in both China and abroad.

Other Overseas Projects

The table below sets forth details of the Group's other major overseas projects as at 30 June 2018:

Enterprise / Project name	Status
Myanmar Thaketa Gas Fired Combined Cycle Power Plant (緬甸Thaketa燃氣蒸汽聯合循環電廠) ⁽¹⁾	In operation
Laos Xelanong Grade One Hydropower Station Project (老撾色拉龍一級水電站項目)	Under construction
Laos Xelanong Grade Two Hydropower Station Project (老撾色拉龍二級水電站項目)	Preliminary stage of planning
Myanmar Ngaw Chan Hka River Hydropower Station Grade One Gulang Project (緬甸諾昌卡河水電站一級古浪項目)	Preliminary stage of planning
Myanmar Ngaw Chan Hka River Hydropower Station Grade Three Tongzin Bridge Project (緬甸諾昌卡河水電站三級同心橋項目)	Preliminary stage of planning
South Africa Duma Substation Project (南非杜馬電站變電站項目)	Under construction
Laos Lanexang Cement Co., Ltd (老撾吉象水泥有限公司) ⁽²⁾	In production
Laos Luang Prabang International Resort Hotel Project (老撾琅勃拉邦國際度假酒店項目)	Acquisition completed ⁽³⁾

(1) In August 2016, the Group commenced the construction of Myanmar Thaketa Gas Fired Combined Cycle Power Plant (緬甸Thaketa燃氣蒸汽聯合循環電廠) in Myanmar, which is now in operation and can supply at least 720 million kWh of electricity to the National

Grid of Myanmar, accounting for about 20% of Yangon's on-grid electricity supply. Such magnitude of electricity supply can support more than 42,000 households in and around Yangon.

(2) For further details, please see "– Integrated Businesses – Cement Business".

EMPLOYEES

As at 30 June 2018, the Group employed, on a consolidated basis, approximately 8,500 employees. The Group is focused on attracting, training and retaining competent management and technical personnel. Training is provided to new employees and existing employees in order to develop their technical and industry knowledge, awareness of work place safety standards and knowledge of the Group's corporate standards and culture.

The Group generally requires its employees to sign labour contracts. Remuneration to employees is based on their respective performance, working experience, duties and the prevailing market rates. As required by applicable laws and regulations, the Group participates in various retirement plans administered by municipal and provincial governments for its employees, including contributions to social insurance and housing fund in the PRC. The total remuneration of the Group's employees generally includes salaries, bonuses and allowances.

The Group believes that it maintains a good working relationship with its employees. As at the date of this Offering Circular, the Group has not experienced any labour disputes that could cause material adverse effect to the operation and performance of the Group.

INTELLECTUAL PROPERTY

The Group places great importance on the development, management and protection of its intellectual property rights. Most of the patents are held by the Group's research institute and Yunnan Energy Investment Weith Technology Co., Ltd. As at 30 June 2018, the Group owned 120 registered patents. As at the date of this Offering Circular, the Group is authorised to use all patents owned by its joint venture partners and the usage rights are renewable at the same terms at its option.

ENVIRONMENTAL PROTECTION

The Group operates under a number of licences and authorisation that are related to environmental regulations. Under the relevant PRC laws, the Group is not allowed to start any projects until it has obtained the required approvals from relevant environmental authorities and such authorities are satisfied with its environmental impact assessments. The construction and operation of renewable energy power generation facilities and coal power plants generate pollutants, which primarily include exhaust fumes, solid waste, waste oil and water and noise. In this regard, the Group must obtain the relevant emission permits and is required to discharge only the pollutants of the types and quantities specified in the emission permits.

The Group is committed to conducting its operations in a manner that complies with applicable environmental laws and regulations, and endeavours to mitigate any adverse effect of the Group's operations on the environment. As at the date of this Offering Circular, the Group is not subject to any material environmental claims, lawsuits, administrative penalties due to violations of the environmental laws and regulations with respect to its production facilities.

HEALTH AND SAFETY COMPLIANCE

The Group is exposed to a variety of risks associated with its business operations, in particular the risks associated with the energy business activities of the portfolio companies. These risks and hazards could result in damage to, or destruction of property, personal injury, environmental damage, business interruption and possible legal liability of the portfolio companies, the Guarantor and the Group. The Guarantor's operations management department and its subordinated offices are responsible for the general safety of its employees and for ensuring a safe work environment. To deal with potential emergency incidents, the Group has also set up the emergency management system, including preventative action plans and formation of an emergency response team. All of the projects of the Group have adopted various policies and taken measures to prevent health and safety risks and hazards.

As at the date of this Offering Circular, the Group has complied with all applicable state and local health and safety laws and regulations in all material respects. The Group has not been subject to any fines or administrative

action that has been filed at any PRC Government authorities involving non-compliance with any relevant regulations, nor is it required to take any specific compliance measures, and the Group is not aware of any current material violation relating to environmental health and safety.

INSURANCE

The Group carries property-all-risks insurance and machinery damage insurance based on the advice of its insurance advisers. Property-all-risks insurance covers the Group's fixed assets, properties held for investing purpose, construction projects in progress and inventories against damage caused by accidents. Machinery damage insurance covers valuable machinery and equipment against damage caused by design, installation or operation failures.

The Group believes that its current insurance policies provide sufficient coverage of the risks to which it may be exposed, relating to loss of or damage to its equipment, inventory and claims from its employees, and are comparable to other companies in the industry in China whose business operations and size are similar to it. The Group cannot, however, be ruled out that it could suffer damages that are not covered by the existing insurance policies or that exceed the coverage limits set in these policies. Furthermore, there is no guarantee that the Group will be able to obtain adequate insurance cover at appropriate terms in the future.

LEGAL PROCEEDINGS

Members of the Group are from time to time involved in legal proceedings involving its suppliers, contractors, customers, employees and other third-party entities concerning matters arising in the ordinary course of its business. Claims may be brought against the Group for liabilities for personal injuries, damage to or destruction of property, breaches of warranty, termination of contracts or delayed payments to its suppliers or contractors. See "Risk Factors – Risks Relating to the Group's Businesses – The Group may be involved in legal and other proceedings arising in the ordinary course of its business". The Group may be involved in legal and other proceedings arising in the ordinary course of its business." As at the date of this Offering Circular, there was no existing or threatened litigation, arbitration or administrative proceeding against the Guarantor or any member of the Group that, individually or in aggregate, could have a material adverse effect on the business, financial condition or results of operations of the Group.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE GUARANTOR

BOARD OF DIRECTORS

The Guarantor's board of directors consists of six members, including one chairman, two vice chairmen and four directors, one of which is an employee representative director who is elected by the worker representative assembly with a three-year term, and the other non-employee representative directors are appointed by Yunnan SASAC with renewable three-year terms. The chairman and vice chairmen are nominated by the Yunnan SASAC and elected by the majority of the board of directors in accordance with laws and regulations. The board of directors is the final decision-making body of the Guarantor and is primarily responsible for determining business plans and investment proposals, forming the financial budget and major financing plans and appointing the general manager and other members of the senior management of the Guarantor.

The table below sets out the members of the board of directors of the Guarantor as at the date of this Offering Circular:

Name	Age	Position
Duan Wenquan	46	Chairman and secretary of the Party Committee
Qiu Lujun	55	Vice chairman, president and deputy secretary of the Party Committee
Liu Wenxian	56	Vice chairman
Yang Wanhua	52	Director and vice president
Li Xiang	46	Director and financial chief expert
Geng Shulun	59	Employee representative director
Wang Yongqiang	51	Director

Mr. Duan Wenquan, 46, is the chairman of the board of directors and the secretary of the Party Committee of the Guarantor. Previously, Mr. Duan has held the positions of legal representative, deputy secretary of the Party Committee and executive director of the Guarantor. Mr. Duan has been accredited as a senior economist. He has over 20 years of experience in hydropower and electricity power. He graduated from North China Electric Power University in 1994 with a major in electricity systems and obtained doctorate degree in engineering system analysis from Tianjin University in 2004.

From July 1994 to June 1996, Mr. Duan worked at the local Electric Power Bureau of Yunnan Provincial Water Resources Department. From June 1996 to July 1997, he worked at the Administrative Office of the Water and Electricity Department of the Ministry of Water Resources as a part of an exchange program. From July 1997 to June 1998, he worked at the local Electric Power Bureau of Yunnan Provincial Water Resources Department. From June 1998 to July 2003, Mr. Duan worked at Yunnan Provincial Development and Investment Co., Ltd. (雲南省開發投資有限公司) as a project manager in the investment department, concurrently holding the position of deputy general manager at Yunnan Baoshan Supa River Hydropower Development Co., Ltd. (雲南保山蘇帕河水電開發有限公司) from May 2002 to August 2004. Mr. Duan worked as deputy manager of investment department in Yunnan Provincial Development and Investment Co., Ltd from July 2003 to August 2004 and was subsequently promoted to manager.

Mr. Qiu Lujun, 55, is a vice chairman of the board of directors, the president and a deputy secretary of the Party Committee of the Guarantor. Mr. Qiu graduated from Peking University in 1992 with a master's degree in geology.

From July 1992 to July 1993, Mr. Qiu worked at the Institute of Geology of the Yunnan Provincial Bureau of Geology and Mineral Resources (雲南省地礦局地質研究所), most recently as the head of its general engineering office. From July 1993 to July 1995, he was a deputy mayor of technology of Yanshan County, Wenshan Prefecture, Yunnan Province (雲南省文山州硯山縣). From July 1995 to June 1998, Mr. Qiu served various positions at Yunnan Provincial Bureau of Geology and Mineral Resources (雲南省地礦局), most recently as the head of the general office of the Geology Survey Division. From June 1998 to April 2005, he held various positions at Yunnan Provincial Development and Investment Co., Ltd. (雲南省開發投資有限公司), most recently as the head of the Information Research Office. From April 2005 to November 2006, Mr. Qiu was the assistant general manager and the head of the Information Office of Yunnan Provincial Development and Investment Co.,

Ltd., as well as the general manager of Yunnan Provincial City Construction and Investment Co., Ltd. (雲南省城市建設投資有限公司). From November 2006 to December 2010, he served as a member of the Party Committee and the deputy general manager of Yunnan Construction Engineering Group Co., Ltd. (雲南建工集團有限公司). From December 2010 to July 2014, Mr. Qiu served several positions at No.14 Metallurgical Construction Group Co., Ltd (十四冶建設集團有限公司), including general manager, director and deputy secretary of its Party Committee. From July 2014 to December 2016, he was the secretary of the Party Committee and the vice chairman of the board of directors of Yunnan Province Industrial Investment Group Co., Ltd. (雲南省工業投資控股集團).

Ms. Liu Wenxian, 56, is a vice chairman of the board of directors of the Guarantor and a member of the Party Committee of the Guarantor. Ms. Liu has been accredited as a senior economist. She graduated from Yunnan University in 1996 with a major in economics. She completed further studies at Yunnan University in 2007 with a major in international finance and economics.

From September 1986 to July 1996, Ms. Liu was a Party Committee member and the secretary of the General Planning Division of Yunnan Provincial Planning Commission. From July 1996 to February 2000, Ms. Liu worked at Yunnan Provincial Development and Investment Co., Ltd. (雲南省開發投資有限公司) as a deputy manager, deputy office secretary and a Party Committee member. From February 2000 to July 2003 she held the office of deputy manager at the delegation department of Yunnan Provincial Development and Investment Co., Ltd. From July 2003 to September 2004, Ms. Liu was the deputy secretary of the Party Committee and deputy manager of human resources and political department at Yunnan Provincial Development and Investment Co., Ltd. From September 2004 to December 2012, she worked as the secretary of the Party Committee at Yunnan Provincial Power Investment Co., Ltd. (雲南省電力投資有限公司), while holding offices of the chairman of the board of directors at YEIG Renewable Energy Investment Development Co., Ltd. (雲南能投新能源投資開發有限公司) in charge of Diantou Coal Company (電投煤業公司) between December 2006 and April 2012, and officer in charge at the Guarantor between February 2012 and August 2012. From August 2016 to December 2016, Ms. Liu served as a deputy secretary of the Party Committee and the president of the Guarantor.

Mr. Yang Wanhua, 52, is a director, a Party Committee member and the vice president of the Guarantor. Mr. Yang has been accredited as a senior economist. He graduated from Tianjin University with a major in Hydraulic Work in 1989. He also received a second bachelor's degree in International Engineering Management from Tianjin University in 1997.

From July 1997 to December 2005, he held the positions of director of planning and management department and secretary of the Party Committee at Kunming Hydroelectric Investigation Design and Research Institute. From January 2006 to February 2008, he was the deputy managing director of Yunnan Jinsha River Hydropower Co., Ltd. From February 2008 to December 2013, he was the managing director of YEIG Nujiang Prefecture Industrial Development & Investment Co., Ltd.

Ms. Li Xiang, 46, is a director and the financial chief expert of the Guarantor. Ms. Li has been accredited as a senior accountant and holds a master's degree as well as qualifications of Certified Public Accountant and Certified Public Valuer. From February 2012 to October 2012, she was the officer in charge of finance as well as the chief accountant. Ms. Li worked at the finance department of Yunnan Provincial Textiles Co., Ltd. (雲南紡織品公司) from July 1991 to July 1997, concurrently holding the positions of accountant clerk, chief accountant and the officer in charge of finance. She worked at Yunnan Jingwei Accounting Firm (雲南經緯會計師事務所) holding the positions of department head and assistant chief accountant as well as the deputy head of the firm from July 1997 to March 2002. From March 2002 to April 2003, Ms. Li worked at Kunming Gaoxinhengxin Accounting Firm (昆明高新正信會計師事務所) as an assistant chief accountant (also the deputy head of the firm). From April 2003 to August 2004, she was the head of the first audit department in Kunminghuaxin Accounting Firm (昆明華昆華信會計師事務所). From August 2004 to January 2009, she was the head of finance department at Yunnan Provincial Power Investment Co., Ltd. (雲南省電力投資有限公司). From January 2009 to February 2012, she worked as the deputy general manager of the planning and finance department and the director of funds centre at Yunnan Provincial Investment Holdings Group Co., Ltd..

Mr. Geng Shulun, 59, is the employee representative director of the Guarantor and a senior management consultant of the Guarantor. Mr. Geng graduated from Wuhan Military Economics Academy (武漢軍事經濟學院) in 1979, majoring in financial accounting. He completed a degree in economics management at the Central Communist Party School in 1996.

From March 1979 to October 1989, Mr. Geng was a soldier, a quartermaster, deputy political instructor, deputy section chief of the finance unit and a member of the disciplinary inspection commission unit of the First

Independent Regiment of Yunnan Provincial Military and Armed Police. From October 1989 to September 1994, he worked in the financial unit of first unit of Yunnan Armed Police Contingents, holding the positions of assistant accountant, sector chief and accountant. From September 1994 to September 2001, Mr. Geng worked at the logistics department of first unit of Yunnan Armed Police Contingents, holding the positions of deputy head of the department, secretary of Party Branch, head of the department and a member of the standing committee of the Party Committee. From September 2001 to July 2002, Mr. Geng was a manager of Yunnan Provincial Development and Investment Co., Ltd. (雲南省開發投資有限公司) and was seconded to Yunnan Yunjing Forestry and Paper Industry Co., Ltd. (雲南雲景林紙股份有限公司物業公司). He worked at Yunnan Baoshan Supa River Hydropower Development Co., Ltd. (雲南保山蘇帕河水電開發有限公司) as the deputy secretary of the Party Committee, the chief accountant and the chairman of labour union. From August 2004 to February 2012, he was a member of the Party Committee, chief accountant and chairman of labour union of Yunnan Provincial Power Investment Co., Ltd. Mr. Geng was the officer in charge of labour union of the Guarantor from February 2012 to October 2012, holding concurrent positions of a Party Committee member and chairman of the labour union of Yunnan Provincial Power Investment Co., Ltd.

Mr. Wang Yongqiang, 51, is a director of the Guarantor. From October 1985 to December 1998, Mr. Wang was a soldier and a quartermaster of the 42nd and 31st Infantry Division of the People's Liberation Army of China. From December 1998 to September 2011, he was the director of the financial department of Southwest Communications Construction Engineering Co., Ltd (西南交通建設工程總公司). From September 2011 to May 2016, he held the positions of director of the finance department, assistant general manager and chief financial officer of Southwest Communications Construction Group Co., Ltd. (西南交通建設集團股份有限公司).

BOARD OF SUPERVISORS

The board of supervisors consists of five members, including one chairman, one vice chairman and three supervisors two of which are employee representative supervisors who are elected by worker representative assembly with a three-year term, and the other non-employee representative supervisors are appointed by Yunnan SASAC with renewable three-year terms. The chairman is nominated by Yunnan SASAC and elected by the majority of the board of supervisors in accordance with laws and regulations. The board of supervisors is responsible for monitoring and overseeing the actions of the board of directors and the management of the Guarantor. The Guarantor's directors and senior management personnel are not permitted to serve concurrently as supervisors.

The table below sets out the members of the board of supervisors of the Guarantor as at the date of this Offering Circular:

Name	Age	Position
Li Mingqiu	57	Chairman of the board of supervisors
Luo Lin	66	Vice chairman
Su Lin	49	Supervisor
Fan Xuening	46	Employee representative supervisor
He Juanjuan	39	Employee representative supervisor

Mr. Li Mingqiu, 57, is the chairman of the board of supervisors of the Guarantor. Mr. Li is an economist and holds the qualification of Certified Tax Agents. He graduated from Jiangxi University of Finance and Economics in September 1987 majoring in taxation. He studied law at Southwest Normal University.

From November 1981 to August 1983, Mr. Li was the deputy chief of New Village taxation centre and was transferred to the Taxation Bureau as the deputy chief in September 1983. From September 2001 to February 2009, he was the chief of the local Taxation Bureau of Honghe prefecture. He worked at local Taxation Bureau from August 1991 to September 2001 in Yuxi. From December 2009 to August 2013, he worked as the chief accountant in Yunnan Provincial Local Taxation Bureau. He was the secretary of the Party Commission and the head of Kunming Local Taxation Bureau from March 2009 to November 2009. Since September 2013, Mr. Li has been the chairman of board of supervisors of many state-owned enterprises of Yunnan Provincial Government, including Yuntianhua Group Co., Ltd (雲天化集團有限責任公司) and Yunnan Coal Chemical Industry Group Co., Ltd (雲南煤化工集團有限公司). He was appointed as the chairman of the board of supervisors of the Guarantor in June 2014.

Ms. Luo Lin, 66, is the vice chairman of the board of supervisors of the Guarantor. Ms. Luo is a senior auditor. She graduated from Yunnan University of Finance and Economics holding a degree in accounting in October 1978.

From 1986 to 1989, she served as the chief of the planning and financial department of Yunnan Provincial Tourism Bureau. From October 1989 to February 1997, she worked as the vice chief of financial centre of Kunming China International Travel Agency. From March 1997 to July 2005, she served as deputy director of the financial department of Yunnan Tourism Group Holding., Ltd. From 2005 to 2008, she held the offices of a supervisor on the board of supervisors of Southwest Communications Construction Group Co., Ltd (西南交通建設集團股份有限公司), Yunnan International Trust Co., Ltd (雲南國際信託有限公司) and China State Farms Agribusiness (Group) Corporation (中國農墾集團總公司). She was a supervisor on the board of supervisors of Yunnan Coal Chemical Industry Group Co., Ltd (雲南煤化工集團有限公司) from July 2008 to July 2010. From July 2010 to June 2014, she was the chairman of the board of supervisors of China Eastern Air Group (中國東方航空集團) and Yunnan Shengyi Capital Co., Ltd (雲南聖乙投資). Ms. Luo was appointed as the vice chairman of the board of supervisors of the Guarantor in June 2014.

Mr. Su Lin, 49, is a supervisor of the Guarantor. Mr. Su graduated from Nanjing Political Institute of PLA (解放軍南京政府學院) in 1986, majoring in economic management. Since June 2014, Mr. Su has held the position of supervisor of the Guarantor.

From November 1986 to August 2006, Mr. Su served the army and was an assistant accountant at Air Force No. 95651. Between August 1989 and August 1992, Mr. Su engaged in advanced study in Logistics Institute of Air Force. From August 2006 to February 2008, he was a supervisor on the board of supervisors of Yunnan Tin Group (雲南錫業集團). From February 2009 to July 2010, Mr. Su was a supervisor on the board of supervisors of Yunnan Coal Chemical Industry Group (雲南煤化工集團).

From July 2010 to June 2014, Mr. Su was a supervisor on the board of supervisors of Yunnan Expo Tourism Group (雲南世博旅遊集團).

Mr. Fan Xuening, 46, is an employee representative supervisor of the Guarantor. Mr. Fan has a Master's degree. Mr. Fan graduated from Kunming University of Science and Technology with a degree in mining engineering in July 1995, and graduated from the Yunnan Provincial Party School with a major in economic management in July 2009.

From July 1995 to January 2001, Mr. Fan worked at Yunnan Provincial Coal Department where he served as staff member and senior staff member. During this period, from July 1995 to May 1997, Mr. Fan was temporarily assigned to the Bureau of Township Enterprises in the Zhongdian county, Diqing Prefecture (迪慶州中甸縣鄉鎮企業局) where he was the assistant to the chief. From January 2001 to February 2004, Mr. Fan worked at the Yunnan Provincial Workers' Committee for Enterprises (中共雲南省委企業工委) where he was appointed as senior staff member and subsequently principal staff member. From February 2004 to March 2008, Mr. Fan worked at the administrative office of Yunnan SASAC. From March 2008 to May 2014, Mr. Fan worked at the Party Building Department of Yunnan SASAC as deputy division director. From May 2014 onwards, Mr. Fan worked as the deputy head at the disciplinary inspection and supervision office of the Guarantor.

Ms. He Juanjuan, 39, is an employee representative supervisor of the Guarantor. Ms. He is an accountant and has a Master's degree. Ms. He graduated from Kunming Finance and Commerce School in July 1999 where she majored in finance and accounting. Ms. He graduated from the Yunnan College of Finance majoring in accounting in June 2000. Ms. He graduated from the Macau University of Science and Technology in November 2008 where she majored in general business management.

From July 1999 to November 2007, Ms. He worked at Yunnan Provincial Electricity Industry Co., Ltd (雲南電力實業有限公司), where she held positions of accountant, deputy chief of the finance department and director of the finance department. From November 2007 to December 2012, Ms. He worked at the financial management department of Yunnan Provincial Power Investment Co., Ltd. (雲南省電力投資有限公司) where she held positions of business manager and deputy general manager of the financial management department. From December 2012 to December 2013, Ms. He worked at the financial management department of the Guarantor where she was appointed as deputy general manager of the financial management department and then general manager. Since December 2013, Ms. He has been working as general manager at the audit department of the Guarantor.

SENIOR MANAGEMENT

The table below sets out the senior management of the Guarantor as at the date of this Offering Circular:

Name	Age	Position
Duan Wenquan	46	Chairman and secretary of the Party Committee
Qiu Lujun	55	Vice chairman, president and deputy secretary of the Party Committee
Liu Wenxian	56	Vice chairman
Jiang Ping	43	Deputy secretary of the Party Committee
Weng Lizhi	51	Secretary of the Discipline and Inspection Commission
Yang Wanhua	52	Director and vice president
Huang Ning	50	Vice president
Guo Shuguang	46	Vice president
Shen Jun	43	Chief financial officer
Luo Yonglong	54	Vice president, member of the Party Committee

Mr. Duan Wenquan, please see the profile of Mr. Duan Wenquan in “Board of Directors”.

Mr. Qiu Lujun, please see the profile of Mr. Qiu Lujun in “Board of Directors”.

Ms. Liu Wenxian, please see the profile of Ms. Liu Wenxian in “Board of Directors”.

Ms. Jiang Ping, 43, is a deputy secretary of the Party Committee of the Guarantor. Ms. Jiang has been accredited as a senior economist. She graduated from Yunnan Normal University with a major in history in 1997. Ms. Jiang advanced her education at Beijing Institute of Technology from 2011 majoring in engineering management and graduated with a master’s degree. From July 1997 to October 1997, she was a secretary at Tiansheng Bridge project department of Sinohydro Bureau 14 Co., Ltd (中國水電十四局有限公司). From October 1997 to October 1998, she was an office secretary of Three Gorges of Yangtze River Qingyun Co., Ltd. From October 1998 to November 2007, she held the offices of secretary, assistant politics officer, deputy head of sector, secretary of the Party Branch and deputy director of the office of Sinohydro Bureau 14 Co., Ltd. From November 2007 to January 2008, she was the deputy director at Yunnan Provincial Power Investment Co., Ltd. From November 2008 to May 2010, she was the director of Division of Party and People’s Affairs of Yunnan Provincial Power Investment Co., Ltd. From May 2010 to October 2012, she was the deputy secretary of the Discipline and Inspection Committee and the director of Division of Party and People’s Affairs at Yunnan Provincial Power Investment Co., Ltd. From March 2012 to October 2012, she was the assistant general manager and the principal officer in charge of Party Committee’s affairs and the human resources department. Since October 2012, Ms. Jiang served as the deputy secretary of the Party Committee and the secretary of Discipline and Inspection Commission of the Guarantor. In December 2016, Ms. Jiang ceased to be the secretary of Discipline and Inspection Commission of the Guarantor.

Mr. Weng Lizhi, 51, is the secretary of the Discipline and Inspection Commission and a Party Committee member of the Guarantor. He graduated from Southwest University of Political Science and Law with a major in economics in 1989 and from Wuhan University with a master’s degree in criminal law in 1997. From April 1998 to September 1999, he worked at the Intermediate People’s Court in Dali Prefecture, Yunnan Province (雲南省大理州中級人民法院). From October 1999 to April 2002, he worked at the Political and Legal Affairs Commission of Dali Prefecture, Yunnan Province (雲南省大理州委政法委), most recently as the deputy director of its general office. From April 2002 to June 2006, he was the deputy mayor of Yunlong County, Yunnan Province (雲南省雲龍縣). From June 2006 to October 2006, he was the deputy chief of the Rule of Law Office in Dali Prefecture, Yunnan Province (雲南省大理州依法治州辦公室). From October 2006 to August 2007, he was the deputy vice chairman of the General Labour Union of Dali Prefecture, Yunnan Province (雲南省大理州總工會). From August 2007 to November 2016, he served various positions at Yunnan Agricultural Group Co., Ltd. (雲南農墾集團), including a deputy general manager, a Party Committee member and a director. He has been the secretary of the Discipline and Inspection Commission of the Guarantor since November 2016.

Mr. Yang Wanhua, please see the profile of Mr. Yang Wanhua in “Board of Directors”.

Mr. Huang Ning, 50, is a vice president and a Party Committee member of the Guarantor. Mr. Huang is a senior engineer. From March 2012 to October 2012, he was the officer in charge of the Guarantor. Since October 2012, Mr. Huang has served as a member of the Party Committee and a vice president of the Guarantor. He graduated from Wuhan University of Hydraulic and Electrical Engineering with a major in hydrodynamics in 1992 and obtained an MBA degree at Yunnan University of Finance and Economics in 2010. From April 1993 to November 1997, he worked at the Sanjiangkou Power Station of Baoshan Power Company (保山電力公司三江口發電廠) and was the deputy director of the project.

From November 1997 to January 1999, Mr. Huang worked at the engineering commanding department of Baoshan Supa River Hydropower Project (保山蘇帕河電站工程) for the construction of the Qiezi Mountain Project and was the chief mechanical and electrical engineer. From January 1999 to June 2001, he worked at Baoshan Supa River Hydropower Development Co., Ltd. (保山蘇帕河水電開發有限公司) as the director of the Qiezhishan Plant. From June 2001 to October 2002, Mr. Huang worked at Baoshan Supa River Hydropower Development Co., Ltd. as the branch secretary and a director of the Qiezhishan Plant. From October 2002 to November 2003, he worked at Baoshan Supa River Hydropower Development Co., Ltd. as deputy chief engineer, while he was also the director of the Qiezi Mountain Plant. From November 2003 to October 2004, he worked at Baoshan Supa River Hydropower Development Co., Ltd. as an assistant to the vice president, the manager of the mechanical and electrical department and the deputy chief engineer. From October 2004 to August 2010, he worked at Yunnan Baoshan Supa River Hydropower Development Co., Ltd. as a member of the Party Committee, deputy secretary of the Party Committee and general manager. From January 2006 to August 2010, he was the director of Tengchong Sudian Longchuanjiang Hydropower Development Co., Ltd. (騰沖蘇龍川江水開發有限公司) and was seconded to Huaneng Lancang River Hydropower Co., Ltd. (華能瀾滄江水電有限公司) as the deputy director of its basic construction department between August 2009 and February 2010. From 2010 August to March 2012, he was the deputy general manager of Yunnan Provincial Power Investment Co., Ltd.

Mr. Guo Shuguang, 46, is a vice president and a Party Committee member of the Guarantor. Mr. Guo is an economist. He graduated from Yunnan Electric Power School with a major in power equipment of hydroelectric power station in 1991. He obtained a Master's degree in executive business administration (EMBA) from Shanghai University of Finance and Economics in 2011. From August 1991 to August 1993, Mr. Guo worked at the Water and Electricity Bureau Survey and Investigation Team of Fengqing county (鳳慶縣水電局勘測設計隊). From August 1993 to April 2002, he was the director of the office in Lincang Audit Office and the head of the 4th secretary section of the Lincang Administrative Office from April 2002 to May 2004. From May 2004 to December 2007, he was a member of the Discipline and Inspection Committee, assistant general manager and director of the office at Yunnan Provincial Power Investment Co., Ltd. (雲南省電力投資有限公司). From December 2007 to April 2012, he was the deputy director of the office in Yunnan Provincial Investment Holdings Group Co., Ltd.. From April 2012 to October 2012, he was the deputy general manager of Yunnan Provincial Power Investment Co., Ltd. He has held the position of secretary of Party Committee in Yunnan Provincial Power Investment Co., Ltd. since December 2012.

Mr. Shen Jun, 43, is the chief financial officer of the Guarantor. He obtained a master's degree in accounting and is a senior accountant. He has served several positions in the Kunming Survey and Design Institute of China Hydropower Consulting Group (中國水電顧問集團昆明勘測設計研究院), namely, deputy chief of the design finance division of the finance department (presiding), deputy chief of the integrated finance department, assistant director of the financial asset management department and chief of the integrated finance division, deputy director of the financial asset management department, deputy director of the management department (presiding), and director of the financial asset management department. He is currently the assistant to the president of the Guarantor, deputy financial director, general manager of the finance (funding) centre, as well as chairman of the supervisory board of Yunnan Energy Investment Co., Ltd (雲南能源投資股份有限公司).

Mr. Luo Yonglong, 54, is the vice president of the Guarantor and a member of the Party Committee. He is a first-class construction engineer, senior engineer and senior logistics engineer. He has previously served as technician of Yongshan Works Section of Xichang Railway Branch, deputy secretary of the Party Committee and deputy manager of Yunnan Provincial First Engineering Company (雲南省鐵路第一工程公司), general manager and deputy secretary of the Party Committee of Yunnan Railway Construction Engineering Company (雲南省廣大鐵路建設工程公司), deputy secretary of the Party Committee and executive deputy general manager of Yunnan Provincial Railway Corporation (雲南省鐵路總公司), deputy manager, Party secretary and vice chairman of No.14 Metallurgical Construction Group Co., Ltd (十四冶建設集團有限公司), deputy secretary of the Party Committee, secretary of the disciplinary committee, general manager, vice chairman of Yunnan Logistics Industry Group Co., Ltd. He has served as the vice president of the Guarantor since 31 May 2018.

CORPORATE GOVERNANCE

According to the Notice on Clarification of Administrative Matters regarding Yunnan Provincial Energy Investment Group Co., Ltd. (關於明確雲南省能源投資集團有限公司有關管理事項的通知) issued by Yunnan SASAC, Yunnan SASAC has the authority to review and approve the amendments to the articles of association of the Guarantor and to appoint or designate any member of the Guarantor's board of directors and senior management and conduct performance review of the Guarantor's board of directors and management.

The Guarantor has a sound corporate governance structure in place with established procedure rules which are both in compliance with its articles of association and all relevant laws and regulations in the PRC. The Guarantor has four professional committees under the board of directors, namely: the budget and fund management committee, the strategic investment decision management committee, the nomination and performance evaluation committee and the audit and risk control committee. In addition, the Guarantor has established 13 functional departments, namely: board of directors' office, general office, investment management centre, financial management centre, business management centre, party committee work department, disciplinary inspection office, audit and legal risk centre, trade union office, infrastructure management centre, integrated corporate management service centre, capital management centre and international cooperation department.

To strengthen internal control, the Guarantor has also established a risk management structure consisting of the board of directors and its audit and risk control committee, the general office, the risk management department, the legal and audit department and the business management department to supervise all functional departments and Group's member companies.

PRINCIPAL SHAREHOLDERS

The table below sets forth the information regarding the beneficial ownership of the Guarantor's shares as at 30 June 2018 by each person known to the Guarantor to beneficially own 5.0 per cent. or more of the Guarantor's issued and outstanding shares:

Principal Shareholder	Capacity	Percentage of issued share capital ⁽¹⁾
Yunnan SASAC ⁽²⁾	Held by controlled corporation	100 per cent.
Yunnan Provincial Investment Holdings Group Co., Ltd. ⁽³⁾	Beneficial owner ⁽⁴⁾	83.085 per cent.
Yuntianhua Group Co., Ltd. ⁽⁵⁾	Beneficial owner ⁽⁴⁾	10.149 per cent.
Yunnan Metallurgical Group Co., Ltd. ⁽⁶⁾	Beneficial owner ⁽⁴⁾	6.766 per cent.

Notes:

- (1) The calculation is based on the number of total issued shares as at 30 June 2018.
- (2) Yunnan SASAC held interest in the Guarantor through three controlled corporations (i.e. Yunnan Provincial Investment Holdings Group Co., Ltd., Yuntianhua Group Co., Ltd., and Yunnan Metallurgical Group Co., Ltd.) in which Yunnan SASAC is the controlling shareholder and ultimate owner.
- (3) Yunnan Provincial Investment Holdings Group Co., Ltd. is an enterprise wholly owned by and under the supervision of Yunnan SASAC. Yunnan Provincial Investment Holdings Group Co., Ltd. directly owns 83.085 per cent. of the equity interest of the Guarantor.
- (4) Beneficial ownership is determined by and includes the power to direct the voting or the disposition of the securities or to receive the economic benefit of the ownership of the securities.
- (5) Yuntianhua Group Co., Ltd. is an enterprise 77.86 per cent. owned by and under the supervision of Yunnan SASAC. The Guarantor cross holds 9.70 per cent. of the equity interest of Yuntianhua Group Co., Ltd.
- (6) Yunnan Metallurgical Group Co., Ltd. is an enterprise 31.82 per cent. owned by and under the supervision of Yunnan SASAC. 6.766 per cent. of the equity interest of the Guarantor is owned by Yunnan Metallurgical Group Co., Ltd. and the Guarantor cross holds 31.71 per cent. of the equity interest of Yunnan Metallurgical Group Co., Ltd.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

THE PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (中華人民共和國憲法) (“**PRC Constitution**”), which was implemented on 4 December 1982 and amended on 12 April 1988, 29 March 1993 and 14 March 2004, and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC Government. In general, PRC court judgments do not constitute legally binding precedents, although they are used for the judicial reference and guidance.

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

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

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

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

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

THE PRC JUDICIAL SYSTEM

Under the PRC Constitution and the PRC laws on Organisation of the People's Courts (中華人民共和國人民法院組織法) (implemented since 1 January 1980, and amended on 2 September 1983, 2 December 1986, 31 October 2006 and 26 October 2018 respectively), the judicial system consist of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the basic courts, the intermediate courts and the higher courts. The basic courts are further divided into civil, criminal, economic, administrative and other divisions. The intermediate courts have divisions similar to those of the basic courts, and are further divided into other special divisions, such as the intellectual property division. The higher level courts supervise the basic and intermediate courts. The people's procuratorates also have the power to exercise legal supervision over the litigation proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by all other courts.

The courts employ a “second instance as final” appellate system. A party may appeal against a judgment or ruling of a local court to the court at the next higher level. Second judgments or rulings given at the next higher level and the first judgments or rulings given by the Supreme People’s Court are final. First judgments or rulings of the Supreme People’s Court are also final. If, however, the Supreme People’s Court or a court at a higher level finds an error in a legally effective judgment which has been given by any court at a lower level, or the president of a 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 in accordance with the judicial supervision procedures. The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (“**the Civil Procedure Law**”), which was adopted on 9 April 1991 and amended on 28 October 2007, 31 August 2012 and 27 July 2017, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff’s or the defendant’s place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

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

A party seeking to enforce a judgment or ruling of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court’s examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

FOREIGN EXCHANGE CONTROLS

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centre. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 1 October 1993, the State Council, promulgated the Notice on Deepening the Reform of the Foreign Exchange Administration System (關於進一步改革外匯管理體制的通知) (Guo Fa [1993] No.89), effective from 1 October 1993 and was abolished on 25 June 2016. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理暫行規定) (the “**Provisional Regulations**”), which set out detailed

provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-US dollar exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-US dollar in the inter-bank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated the Regulations for the Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理條例) (the “**Foreign Exchange Regulations**”) which became effective from 1 April 1996. The Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the PRC shall not restrict international current account payments and transfers. On 1 August 2008, the Foreign Exchange Regulations were further amended pursuant to a resolution of the State Council of China and came into effect on 5 August 2008 (the “**New Forex Regulation**”). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, 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) (the “**Settlement Regulations**”) which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining 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. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange banks after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, PBOC and SAFE promulgated the Notice Concerning the Discontinuance of Foreign Exchange Swapping Business (關於停辦外匯調劑業務的通知) pursuant to which and with effect from 1 December 1998, all foreign exchange swapping business in the PRC for foreign-invested enterprises shall be discontinued, while the trading of foreign exchange by foreign-invested enterprises shall be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar only. PBOC will announce the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day. See “*PRC Currency Control*” for details.

On 11 August 2015, PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate for the last trading date, the supply and demand of foreign

exchange and the rate change at primary international currencies. It is possible that the PRC Government could adopt a more flexible currency policy in the future, which could result in further and more significant revaluations of the Renminbi against the US dollar or any other foreign currency. Any future exchange rate volatility relating to the Renminbi or any significant revaluation of the Renminbi may materially and adversely affect the Group's cash flows, revenue, earnings and financial position, as well as the value of any distributions payable to the Company by its PRC subsidiaries.

LAWS AND REGULATIONS RELATING TO PRC ENERGY INDUSTRY

Renewable Energy Industry

On 28 February 2005, the Standing Committee of the NPC promulgated the Renewable Energy Law (可再生能源法) (implemented since 1 January 2006, and amended on 26 December 2009).

According to the law, renewable energy includes hydropower, biomass power, wind energy, solar energy, geothermal energy, ocean energy and others. These types of energy are characterised by lower environmental pollution and sustainability. Of which, hydropower is currently the renewable energy power generation with the most mature technology and is being extensively applied worldwide.

The law outlines a regulatory framework to promote the development and utilisation of renewable energy and eventually achieves the sustainable economic and social development in the PRC. The law stipulates that the power grid enterprise should acquire the full amount of grid-connected power generated by the renewable power generation enterprises, laying down the preliminary formulation of on-grid tariff administration measures for renewable energy. In addition, the law also provides certain preferential policies, such as the establishment of renewable energy development fund to promote the development of renewable energy.

The Development Guide Directory for Renewable Energy Industry (可再生能源產業發展指導目錄) was promulgated by the NDRC on 29 November 2005. It tabulates 88 types of renewable energy projects. Those projects that meet the relevant criteria will be supported by favourable policies in the aspect of, among others, tax rates, product price and sales. The Group's Hydropower Plants, which are small hydropower plants connected to power grids, fall within such 88 types of renewable energy projects.

Electric power Industry

The former State Electricity Regulatory Commission ("SERC") and the NEA, after the SERC was merged into the NEA in 2013, are responsible for the supervision and administration of national electric power utilities. On 28 December 1995, the National People's Congress Standing Committee promulgated the Electricity Law of the People's Republic of China (中華人民共和國電力法) (the "**Electricity Law**") (implemented since 1 April 1996 and amended on 27 August 2009 and 24 April 2015). The Electricity Law is the core regulatory law in electric power industry, the objects of which are to safeguard the legal rights and interests of investors, operators and users of electric power, protect the safe operation of electric power, and to regulate the comprehensive operation of electric power industry from the construction of electric power, electric power generation and electric power grid management, supply and utilisation of electric power, electric power tariffs and charges, and electric power facilities protection. In addition, according to the Electricity Law, the government encourages and introduces domestic and foreign economic organisations or individuals to invest in the development of electric power resources according to law and the establishment of electric power generation enterprises.

(1) Electric Power Business Permit

Pursuant to the SERC's Provision on the Administration of the Electric Power Business Permit (電力業務許可證管理規定, the "Permit Provision"), which became effective on 1 December 2005, and amended on 30 May 2015, the electric power business permit should be obtained before engaging in any electric power business in the PRC. Unless otherwise provided by the SERC, any company or individual in the PRC may not engage in any electric power business (including power generation, transmission, dispatch and sales) without obtaining an electric power business permit from the SERC. According to the Permit Provision, an applicant for the electric power business permit for power generation should obtain relevant government approvals based on the power plant's construction plan, generation capacity and environmental compliance.

(2) Dispatch

Pursuant to the Regulations on the Administration of Electric Power Dispatch to Grids (電網調度管理條例, the "**Dispatch Regulations**") issued by the State Council, effective on 1 November 1993, and amended on 8 January

2011, all electric power producers and grid companies must comply with the general dispatch of the dispatch centre. Dispatch centres are responsible for the administration and dispatch of power plants connected to the grid.

Pursuant to the Dispatch Regulations, dispatch centres are established at five levels: the national dispatch centre, the dispatch centres of the interprovincial power grid, the dispatch centres of the provincial power grid, the dispatch centres of the power grid of municipalities under provinces and the dispatch centres of the county power grid. Each power plant receives on a daily basis from its local dispatch centre an hour-by-hour output schedule for the following days based on anticipated demand on the weather and other factors.

(3) On-Grid Tariff Administration

The Electricity Law sets out the general principles for the determination of power tariffs, according to which, tariffs are to be formulated to provide reasonable compensation for costs and a reasonable return on investment, to share expenses fairly and to promote the construction of further power projects. The on-grid power tariffs of power plants, the supply power tariffs between the grid companies and the sales power tariffs of the grid companies are based on a centralised policy, fixed in accordance with a unified principle and administered at different levels. The on-grid tariffs are subject to review and approval by the NDRC and other competent pricing bureaus.

In July 2003, the State Council approved the Power Tariff Reform Plan (電價改革方案) (the “**Reform Plan**”) and stated that their long-term objective is to establish a standardised and transparent on-grid tariff-setting mechanism.

On 28 March 2005, the NDRC issued the Provisional Measures for the Administration of On-grid Tariffs (上網電價管理暫行辦法) (Fa Gai Jia Ge [2005] No.514), which provides regulatory guidance for the Reform Plan. For power plants within the regional grids that have not implemented competitive bidding tariff-setting mechanisms, on-grid tariffs will be set by relevant pricing bureaus based on economic life cycle of power projects and in accordance with the principles of reasonable compensation for costs, a reasonable return on investment and tax compliance. 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 producers competing within the same regional grid and (ii) a competitive tariff determined through the competitive bidding process. This NDRC regulation became effective from 1 May 2005.

The Circular Regulations on the Administration of Issues Related to the Electricity Energy Transaction Prices (關於規範電能交易價格管理等有關問題的通知) (Fa Gai Jia Ge [2009] No.2474) issued by the NDRC, SERC and NEA dated 11 October 2009 provides that other than the interprovincial or cross-regional electricity energy transactions, all on-grid power should be priced in accordance with the tariffs set by the pricing bureaus of the government unless otherwise provided by the state. All producers of renewable energy, except the hydropower producers, must comply with the on-grid tariffs approved by the pricing bureaus.

(4) Model Contract form

In 2003, the SERC and the State Administration for Industry and Commerce (the “**SAIC**”) jointly promulgated a model contract form (“**the Model Contract Form**”) for use by power grid companies and power generation companies in connection with electricity sale and purchase transactions. The Model Contract Form contains provisions for stipulating the parties’ rights and obligations, amount of electricity to purchase, payment method and liabilities for breach of contract. Such Model Contract Form is applicable to independent hydropower plants with installed capacity of 50 MW or above and independent fossil fuel power plants with single installed capacity of 100 MW or above.

LAWS AND REGULATIONS RELATING TO OVERSEAS INVESTMENT, FINANCING AND ACQUISITION ACTIVITIES

NDRC Supervision

According to the Measures for the Administration of Approval and Filing of Overseas Investment Projects (境外投資項目核准和備案管理辦法) effective from 8 May 2014 and amended on 27 December 2014 and supersede by Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法) effective from 1 March 2018, the procedure of approval and filing shall be respectively applied to different overseas investment

projects. Specifically, if the amount of the investment made by the Chinese party is US\$1 billion or more, or if the project is related to the sensitive countries, regions or industries, regardless of the investment amount, the projects shall be subject to the approval of NDRC. If the amount of the investment made by the Chinese party is US\$2 billion or more, and the project is related to the sensitive countries, areas or industries, the projects shall be subject to the examination of NDRC and then shall be reported to the State Council for the approval. Other than the projects specified above, the other projects shall be subject to the filing with the competent governmental body.

Specifically, overseas investment projects carried out by enterprises under central management, or those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds US\$300 million shall be subject to the filing with NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below US\$300 million shall be subject to the filing with competent investment departments of the provincial government.

Investment projects to be carried out in Hong Kong and/or Macau shall be governed by the Measures for the Administration of Approval and Filing of Overseas Investment Projects.

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

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

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

Pursuant to the NDRC Notice, an enterprise shall: (i) apply to the NDRC for the filing and registration procedures prior to the issuance of the bonds; and (ii) shall report the information on the issuance of the bonds to NDRC within 10 working days after the completion of each issuance. The materials to be submitted by an enterprise shall include an application report and an issuance plan, setting out details such as the currency, size, interest rate, term, use of proceeds and remittance details. The NDRC shall decide whether to accept an application within 5 working days of receipt and shall issue an enterprise foreign debt pre-issuance registration certificate within 7 working days of accepting the application.

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

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

Pursuant to the NDRC Notice, the NDRC shall control the overall size of foreign debts that can be raised by PRC enterprises and their controlled overseas branches or enterprises. Based on trends in the international capital

markets, the needs of the PRC economic and social development and the capacity to absorb foreign debts, the NDRC shall reasonably determine the overall size of foreign debts and guide the funds towards key industries, key sectors, and key projects encouraged by the State, and effectively support the development of the real economy. When the limit of the overall size of foreign debts has been exceeded, the NDRC shall make a public announcement and shall no longer accept applications for filing and registration. According to the NDRC Notice, the proceeds raised may be used onshore or offshore according to the actual needs of the enterprises, but priority shall be given to supporting the investment in major construction projects and key sectors, such as “One Belt and One Road”, the coordinated development of Beijing, Tianjin, and Hebei province, the Yangtze River Economic Belt, international cooperation on production capacity, and the manufacturing of equipment. As the NDRC Notice is recently published, certain detailed aspects of its interpretation and application remain subject to further clarification.

The Company has made an application for the Pre-issuance Registration of the offering of the Bonds with the NDRC in accordance with the NDRC Circular (the “**Pre-issuance Registration**”). The Company has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 4 November 2016 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Circular, the Company is also required to report certain details of the Bonds to the NDRC within ten working days after the closing date of the offering.

MOFCOM Supervision

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

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

Other than those overseas investments subject to MOFCOMs’ approval as described above, all other overseas investments are subject to a filing procedure. The investing enterprise shall complete the filing form through the Overseas Investment Management System (境外投資管理系統), an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a central enterprise (中央企業) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within three working days of receipt of such filing form.

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

If an overseas investee company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after

the legal process of the investment is completed offshore. The investing enterprise shall complete and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas investee company cannot use the words of “China” (“中國” or “中華”) in its name, unless otherwise approved.

Foreign Exchange Administration

According to the Notice of the SAFE on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (國家外匯管理局關於發佈《境內機構境外直接投資外匯管理規定》的通知) (Hui Fa [2009] No.30), which was promulgated on 13 July 2009 and became effective on 1 August 2009, corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau (外匯管理機構). The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate (外匯登記證) for overseas direct investment to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

State-owned Assets Supervision

The Interim Measures for Administration of Overseas State-owned Property Rights of Central Enterprises (中央企業境外國有產權管理暫行辦法) (effective on 1 July 2011) and the Interim Measures for the Supervision and Administration of Overseas State-owned Assets of Central Enterprises (中央企業境外國有資產監督管理暫行辦法) (effective on 1 July 2011) also apply to overseas investment projects. Where overseas enterprises wholly owned or controlled by central enterprises or their subsidiaries at all levels conduct economic activities such as transferring or acquiring properties, making non-monetary contribution, changing the state-owned shareholding in non-listed companies, consolidation, division, dissolution or liquidation, they shall appoint a professional agency with the corresponding qualifications, professional experiences and good reputation to evaluate or assess the subject matters, and the evaluation items or valuation results shall be submitted to SASAC for record-filing or approval (as the case may be).

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

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

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) (implemented since 26 December 1989 and amended on 24 April 2014), the Prevention and Control of Atmospheric Pollution Law of

the PRC (中華人民共和國大氣污染防治法) (implemented since 1 June 1988 and amended on 29 August 1995, 29 April 2000, 29 August 2015 and 26 October 2018), Prevention and Control of Water Pollution Law of the PRC (中華人民共和國水污染防治法) (implemented since 1 November 1984 and amended on 15 May 1996, 28 February 2008 and 27 June 2017), Law of the PRC on Prevention and Control of Environmental Pollution of Solid Waste (中華人民共和國固體廢物污染環境防治法) (implemented since 1 April 1996 and amended on 29 December 2004, 29 June 2013, 24 April 2015 and 7 November 2016), Construction Law of the PRC (中華人民共和國建築法) (implemented since 1 March 1998 and amended on 22 April 2011), Environmental Impact Evaluation Law of the PRC (中華人民共和國環境影響評價法) (implemented since 1 September 2003 and amended on 2 July 2016) and the Regulation on the Environmental Protection of Construction Projects (建設項目環境保護管理條例) (implemented since 29 November 1998 and amended on 16 July 2017) and the Measures on the Inspection and Acceptance of the Environmental Protection Work Upon Completion of Construction Projects (建設項目竣工環境保護驗收管理辦法) (implemented since 1 February 2002 and amended on 22 December 2010) and other relevant laws and regulations, a construction enterprise shall adopt measures to control environmental pollution and damage caused by dust, waste gas, sewage, solid waste, noise and vibration at the construction site in accordance with the laws and regulations on environmental protection and work safety. The PRC implements an environmental impact evaluation system for construction projects. The enterprise that develops the project shall prior to the commencement of construction of the construction project; submit the environmental impact report, environmental impact statement or environmental impact record of the construction project for approval. The competent administrative authorities for environmental protection shall respond and inform the enterprise in writing within 60 days from the date of receipt of the environmental impact report, 30 days from the date of receipt of the environmental impact statement and 15 days from the date of receipt of the environmental impact record, respectively. Supporting facilities for environmental protection required by a construction project shall be designed, constructed and put into operation simultaneously with the main utilities. Upon completion of the main utilities of the construction project, if a trial production is needed, the supporting facilities for environmental protection shall be put into trial operation simultaneously. During the trial production period of the construction project, the enterprise shall oversee the operation of the environmental protection facilities and monitor the environmental impact of the construction project. Upon completion of the construction project, the enterprise shall submit application to the competent administrative authorities for environmental protection for the inspection and acceptance of the environment being protected upon completion of the construction project.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

On 29 June 2002, the Standing Committee of the NPC passed the Production Safety Law of the PRC (中華人民共和國安全生產法) (implemented on 1 November 2002 and amended on 27 August 2009 and 31 August 2014), pursuant to which, enterprises engaging in production and business operation activities shall observe the relevant laws, regulations concerning production safety, strengthen the administration of production safety, establish and perfect the accountability system for production safety, perfect the conditions for production safety, and ensure the safety in production. They shall also set up apparent safety warning signs at the production or business operation sites or on the relevant facilities or equipment that have substantial dangerous elements. Except for enterprises engaged in mining, metal smelting, building construction, or road transportation or an entity manufacturing, marketing, or storing hazardous substances, other production and business operation enterprises with more than 100 employees shall establish an administrative organisation for production safety or have full-time personnel for the administration of production safety. For production and business operation enterprises with not more than 300 employees, they shall have full or part time personnel for the administration of production safety. The safety facilities of the newly built or rebuilt or expanded engineering projects shall be designed, built and put into production and use at the same time with the main subject of the projects. The Measures for Regulating the Production Safety of Electricity (電力安全生產監督管理辦法), promulgated and implemented on 17 February 2015 and 1 March 2015 respectively, further emphasised that the electricity enterprises are the accountability subjects for production safety of electricity and shall be responsible for overall production safety of the entity. The electricity enterprise shall build and implement the production accountability system for production safety at all levels and establish a sound assurance system for production safety in electricity generation and supervision system for production safety in electricity generation.

On 30 November 2009, the MWR, the State Administration for Industry and Commerce, the State Administration of Work Safety and the SERC jointly promulgated the Notice Regarding the Strengthening of the Safety Supervision Work in Small Hydropower Station (關於加強小水電站安全監管工作的通知) (Shui Dian [2009] No.585), which emphasised the relevant administrative department shall strengthen the safety supervision on small hydropower stations that are construction in progress and completed small hydropower station with an installed capacity of less than 50MW. For the purposes of the completed small hydropower projects, the relevant

dam administration enterprises shall submit registration applications to the competent department or the designated registration authority as prescribed by the regulations. The relevant administrative department shall conduct the safety enforcement inspections on small hydropower stations already in operation, focus on inspecting whether there are potential safety concerns in their engineering equipment facilities, the accountability system for production safety is being implemented, the administration for production safety is sound and the administration system is perfect. The electricity supervision authority shall strengthen the supervision and administration on the network-related safety of small hydropower stations which are consolidated into the power grid connection, to ensure the safety of power grid network and network enterprises.

In addition, according to the Provisional Regulation for Electric Power Production Accident Investigation (電力生產事故調查暫行規定) (implemented since 1 March 2005) issued by the SERC on 28 December 2004, the electricity enterprise shall report to the SERC immediately and within 24 hours in the event of significant human injury, power grid accident, equipment accident or fire accident, dam break of power plant and blackout that causes serious impact to the society.

LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

Labour laws and regulations of the PRC mainly include the Labour Law (勞動法), promulgated on 5 July 1994 and amended on 7 August 2009, the Labour Contract Law (勞動合同法), promulgated on 29 June 2007 and amended on 28 December 2012 and the Regulations for the Implementation of Labour Contract Law (勞動合同法實施條例) promulgated on 18 September 2008. The above-mentioned laws and regulations regulate the labour relationship established between the employers and employees, the formation, performance, termination and amendments of labour contracts, confirm the rights and obligations of both parties to the labour contract and protect the legal interest of the employees.

Pursuant to the Social Insurance Law (社會保險法) promulgated on 28 October 2010, enterprises should enter into labour contracts with employees and maintain employees' social insurance in compliance with the law, including basic retirement insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance.

According to the requirements of the Regulations for Administration of Housing Provident Fund (住房公積金管理條例) promulgated on 3 April 1999 and amended on 24 March 2002, enterprises should make Housing Provident Fund contributions for their employees timely with sufficient amounts, and the contribution ratio must not be lower than 5% of the average monthly salaries of the employees in the previous year.

TAXATION

The following summary of certain British Virgin Islands and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds.

British Virgin Islands

Under existing British Virgin Islands law, payments of interest and principal on the Bonds will not be subject to taxation in the British Virgin Islands and no withholding will be required on the payment of interest and principal to any holder of the Bonds nor will gains derived from the disposal of the Bonds be subject to British Virgin Islands income or corporation tax, provided that the payments are made to persons who are not resident in the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to the Guarantor.

If neither the Guarantor nor any subsidiary holds an interest in real estate in the British Virgin Islands, no stamp duty is payable in respect of the issue of the Bonds or on an instrument of transfer in respect of the Bonds.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as non-PRC Bondholders in this “Taxation” section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Enterprise Income Tax (“EIT”) and Individual Income Tax (“IIT”)

Pursuant to the EIT Law and its implementation regulations, enterprises that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose “de facto management body” are within the territory of China are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay PRC enterprise income tax at the rate of 25 per cent. in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the “de facto management body” of the Issuer is within the territory of PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent. on its taxable income. At the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Tax Law.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent, who must withhold the tax amount from each payment. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. Pursuant to the EIT Law and its implementation regulations and Individual Income Tax Law of the PRC which was amended on 30 June 2011 and 31 October 2018, and its implementation regulations, the tax rate is generally 10 per cent. for

non-resident enterprise Bondholders without an establishment within the PRC or whose incomes have no connection to its establishment inside the PRC and 20 per cent. in the case of non-resident individuals, unless a lower rate is available under an applicable tax treaty. Any capital gain realised by non-resident Bondholders from transfer of the Bonds may also be regarded as being sourced within the PRC and be subject to EIT and IIT. In addition, as the Guarantor is regarded a PRC resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations of the Guarantees, the Guarantor may withhold PRC income tax on payments of interest with respect to the Bonds to Non-resident enterprise holders at the rate of 10% and to non-resident individual holders at a rate of 20%, in each case, subject to the provisions of any applicable tax treaty. The Issuer and the Guarantor have agreed to pay additional amounts to Bondholders, subject to certain exceptions, so that they would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds.

Value-add Tax (“VAT”)

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income hereon. Based on the definition of “loans” under Circular 36, the issuance of Bonds is likely to be treated as the Bondholders providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, the payments of the interest and other interest like earnings may be subject to VAT in the event that the Guarantor is required to discharge its obligations under the Guarantee.

Where a Bondholder who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Given Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Hong Kong

Withholding tax

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

Profits tax

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

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

- (a) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (b) Interest on the Bonds is derived from Hong Kong and is received by or accrues to a person other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business; or

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

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

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

The Proposed Financial Transactions Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “Commission’s Proposal”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “Participating Member States”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

DESCRIPTION OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

The consolidated financial statements of the Guarantor have been prepared in accordance with PRC GAAP.

PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect China's unique circumstances and environment. The following is a general summary of certain differences between PRC GAAP and IFRS on recognition and presentation as applicable to the Guarantor. The differences identified below are limited to those significant differences that are appropriate to the Guarantor's consolidated financial statements. Since the summary is not meant to be exhaustive, there is no assurance that the summary below is complete. The Guarantor has not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and has not quantified such differences. Had any such quantification or reconciliation been undertaken by the Guarantor, other potentially significant accounting and disclosure differences may have been required that are not identified below. Additionally, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standards. Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. Accordingly, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete. In making an investment decision, you must rely upon your own examination of the Guarantor, the terms of the offering and other disclosure contained herein. You should consult your own professional advisers for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

Government Grant

Under PRC GAAP, an assets-related government grant is only required to be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. However, under IFRS, such assets-related government grants are allowed to be presented in the statement of financial position either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Under PRC GAAP, the relocation compensation for public interests is required to be recognised as special payables. The income from compensation attributable to losses of fixed assets and intangible assets, related expenses, losses from production suspension incurred during the relocation and reconstruction period and purchases of assets after the relocation shall be transferred from special payables to deferred income and accounted for in accordance with the government grants standard. The surplus reached after deducting the amount transferred to deferred income shall be recognised in capital reserve.

Under IFRS, if an entity relocates for reasons of public interests, the compensation received shall be recognised in profit or loss.

Reversal of an Impairment Loss

Under PRC GAAP, once an impairment loss is recognised for a long term asset (including fixed assets, intangible assets and goodwill, etc.), it shall not be reversed in any subsequent period.

Under IFRS, an impairment loss recognised in prior periods for an asset other than goodwill could be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognised.

Related Party Disclosure

Under PRC GAAP, government-related entities are not treated as related parties. Under IFRS, government-related entities may still be treated as related parties if such government-related entities can exercise significant influence over the reporting entity.

Fixed Assets and Intangible Assets

Under PRC GAAP, only the cost model is allowed.

Under IFRS, an entity can choose either the cost model or the revaluation model as its accounting policy.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with the Managers dated [●] 2018 (the “Subscription Agreement”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell, and the Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below: Citigroup Global Markets Limited, The Hongkong and Shanghai Banking Corporation Limited, BOCI Asia Limited, Guotai Junan Securities (Hong Kong) Limited, Silk Road International Capital Limited, CCB International Capital Limited, Southwest Securities (HK) Brokerage Limited and BOCOM International Securities Limited.

Managers	Principal amount to be subscribed
Citigroup Global Markets Limited	[●]
The Hongkong and Shanghai Banking Corporation Limited	[●]
BOCI Asia Limited	[●]
Guotai Junan Securities (Hong Kong) Limited	[●]
Silk Road International Capital Limited	[●]
CCB International Capital Limited	[●]
Southwest Securities (HK) Brokerage Limited	[●]
BOCOM International Securities Limited	[●]
Total	[●]

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Managers and their affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Managers are subject to certain conditions precedent and entitles the Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

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

In connection with the Offering of the Bonds, the Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds). Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being “offered” should be read as including any offering of the Bonds to the Managers and/or their respective affiliates or affiliates of the Issuer or the Guarantor, for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see “*Risk Factors – Risks Relating to the Bonds and the Guarantees – The liquidity and price of the Bonds following this offering may be volatile*”). The Issuer, the Guarantor and the Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds and could adversely affect the trading prices of the Bonds. The Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

In connection with the issue of the Bonds, any of the Managers (each, a “Stabilising Manager”) or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any loss or profit substantiated as a consequence of any such over-allotment or stabilisation shall be for the account of the Managers. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Such stabilising action shall be in compliance with all applicable laws, regulations and rules.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been or will be taken in any jurisdiction by the Issuer, the Guarantor or the Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this Offering Circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantor and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Bonds or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Bonds, in all cases at their own expense.

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

United States

The Bonds and the Guarantees have not been and will not be registered under the Securities Act, subject to certain exceptions, may not be offered or sold within the United States.

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

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

United Kingdom

Each of the Managers has represented, warranted and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

British Virgin Islands

Each of the Managers has represented, warranted and agreed that no invitation whether directly or indirectly may be made to the public in the British Virgin Islands to subscribe for the Bonds.

Hong Kong

Each of the Managers has represented, warranted and agreed that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the Managers has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, or the Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time including by subsidiary legislation as may be applicable at the relevant time (together, the “SFA”) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

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

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

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

- (i) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;

- (iii) where the transfer is by operation of law; or
- (iv) as specified in Section 276(7) of the SFA.

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

The PRC

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

Taiwan

Each of the Managers has represented, warranted and agreed that it has not offered, sold or delivered, and it will not offer, sell or deliver, at any time, directly or indirectly, any Bonds acquired by it as a part of the offering in Taiwan or to, or for the account or benefit of, any resident of Taiwan, except as permitted by the securities laws of Taiwan.

Republic of Italy

The offering of the Bonds has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, no Bonds may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to any Bonds be distributed in Italy, except, in accordance with any Italian securities, tax and other applicable laws and regulations.

Each of the Managers has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any Bonds or distribute any copy of this Offering Circular or any other document relating to the Bonds in Italy except:

- (c) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the “Financial Services Act”) and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the “Issuers Regulation”), all as amended from time to time; or
- (d) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Issuers Regulation.

In any event, any offer, sale or delivery of the Bonds or distribution of copies of this Offering Circular or any other document relating to the Bonds in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “Banking Act”) and CONSOB Regulation No. 16190 of 29 October 2007, all as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act, as amended from time to time, and the implementing guidelines of the Bank of Italy, as amended from time to time; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

GENERAL INFORMATION

Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by the resolutions of the sole director of the Issuer on 11 November 2018.

The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee and the execution of the Trust Deed, the Agency Agreement and the Deeds of Guarantee. The giving of the Guarantee and the entry into the transaction documents in connection with the Bonds were authorised by the resolutions of the directors of the Guarantor on 28 April 2018.

The Guarantor has received an Enterprise Foreign Debt Pre-Issuance Registration Certificate dated 7 August 2018 from the NDRC in connection with the Pre-Issuance Registration.

Litigation

Save for disclosed in this Offering Circular, there are no legal or arbitration proceedings against or affecting the Issuer, the Guarantor, any of their respective subsidiaries or any of their assets, and each of the Issuer and the Guarantor is not aware of any pending or threatened proceedings, which are material in the context of the issue of the Bonds or the giving of the Guarantee.

No Material Adverse Change

Since 30 June 2018 and save for disclosed in this Offering Circular, there has been no material adverse change, nor any development or event involving a prospective material adverse change, in or affecting the general affairs, financial condition, results of operations or prospects of the Issuer, the Guarantor and any of their respective subsidiaries.

Documents Available

As long as any Bonds is outstanding, hard copies of the following documents will be available for inspection at all reasonable times during normal business hours (being 9:00 a.m. to 3:00 p.m.) at the specified office of the Principal Paying Agent following prior written request and satisfactory proof of holding:

- (i) articles of association (or equivalent) of the Issuer and the Guarantor;
- (ii) copies of the Guarantor's Consolidated Financial Statements;
- (iii) the Trust Deed;
- (iv) the Agency Agreement; and
- (v) the Deeds of Guarantee.

Clearing System and Settlement

The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code number 191261135 and the International Securities Identification Number for the Bonds is XS1912611354. The Legal Entity Identifier of the Issuer is 254900HC6YNQ5FVRFS09.

Financial Statements

The Guarantor's Audited Consolidated Financial Statements, which are included elsewhere in this Offering Circular, have been audited by Union Power (2016) and ShineWing (2017), respectively, in accordance with Auditing Standards for Certified Public Accountants in China. The Guarantor's Reviewed Consolidated Financial Statements have been prepared and presented in accordance with PRC GAAP and reviewed by ShineWing in accordance with the China CPA Review No.2101 – Financial Statements Review. PRC GAAP differs in certain respects from IFRS. See *“Description of Certain Differences Between PRC GAAP and IFRS”*.

Auditor's Consent

Union Power has given and not withdrawn its written consent to the reproduction of its audit report dated 21 April 2017 with respect to the Guarantor for the year ended 31 December 2016 in this Offering Circular and with references to its name in the form and context in which they appear. ShineWing has given and not withdrawn its written consent to the reproduction of its audit report dated 26 April with respect to the Guarantor for the year ended 31 December 2017 in this Offering Circular and with reference to its name in the form and context in which they appear.

Listing of the Bonds

Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds by way of debt issues to Professional Investors only.

ISSUER
Yunnan Energy Investment
Overseas Finance Company Ltd.
Kingston Chambers
PO Box 173, Road Town
Tortola
British Virgin Islands

GUARANTOR
Yunnan Provincial Energy
Investment Group Co., Ltd.
(雲南省能源投資集團有限公司)
YEIG Group Building
616 Rixin Road Middle
Xishan District
Kunming, Yunnan
P. R. China

TRUSTEE
Citicorp International Limited
39th Floor, Champion Tower
Three Garden Road
3 Garden Road
Central, Hong Kong

PRINCIPAL PAYING AGENT
AND TRANSFER AGENT
Citibank, N.A., London
Branch c/o Citibank, N.A.,
Dublin Branch
1 North Wall Quay
Dublin 1, Ireland

REGISTRAR
Citibank, N.A.,
London Branch
Citigroup Center
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS TO THE ISSUER AND THE GUARANTOR

As to English and Hong Kong law

Herbert Smith Freehills
23rd Floor, Gloucester Tower
15 Queen's Road Central
Central, Hong Kong

As to PRC law

Beijing Dentons Law
Office LLP (Kunming)
5 Floor of North
Tower, Wanda Kunming
Twin Towers
Xishan District
Kunming, Yunnan, China

As to British Virgin Islands law

Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

LEGAL ADVISERS TO THE MANAGERS

As to English and Hong Kong law

Linklaters
10th Floor
Alexandra House
Chater Road
Hong Kong

As to PRC law

Jingtian & Gongcheng
34/F, Tower 3
China Central Place
77 Jianguo Road
Beijing, P. R. China

LEGAL ADVISER TO THE TRUSTEE

As to English and Hong Kong law

Linklaters
10th Floor
Alexandra House
Chater Road
Hong Kong

INDEPENDENT AUDITOR TO
THE GUARANTOR

(FOR THE YEAR ENDED 31 DECEMBER 2016)

Union Power Certified Public Accountants
(Special General Partnership)
6th Floor, 1-C
Huidu International Building
131# Baita Road
Kunming,
P.R.China

INDEPENDENT AUDITOR TO
THE GUARANTOR

(FOR THE YEAR ENDED 31 DECEMBER 2017)

ShineWing Certified Public Accountants
9/F, Block A, Fu
Hua Mansion,
No.8 Chaoyangmen Beidajie,
Dongcheng District,
Beijing,
100027, P.R. China